IJG SECURITIES

ECONOMIC OUTLOOK

JANUARY 2015

Research Analysts:

Rowland Brown
rowland@ijg.net
+264 61 383 513

Jan-Hendrik Conradie
janhendrik@ijg.net
+264 61 383 523

Eric van Zyl
eric@ijg.net
+264 61 383 530

Contents

Executive Summary

The year 2014 was a very varied one for the economies of the globe, with greater divergence witnessed amongst regional and global economies than has been witnessed for many years. The US economy made sterling strides towards recovery, while the Eurozone continued to languish, dragged down by the periphery as Germany prospered. Anaemic and fragile growth in major trading partners saw the economy of China stumble for the first time in more than a decade, posting lower than normal, but still strong, growth figures through the year. The economy of South Africa stuttered and all but stalled as various global and domestic pressures brought industry to its knees. Namibia, however, ploughed on, flagrantly unaware of the global storm raging out-with her borders.

This year, 2015, looks set to see more of the same, with major divergence expected amongst the major and minor economies of the globe. The US economy is expected to continue to gain traction in recovery, while Europe is expected to continue to struggle. That said, a change in policy stance in Europe, witnessed through the introduction of a monstrous quantitative easing programme, shows an intent from policy makers not before witnessed, which intent may spell the turning of the tide for the struggling monetary block. China remains the elephant in the room, able to make or break the global recovery, while Japan will continue to struggle with decade long growth stagnation, low to no inflation and crippling sovereign debt.

South Africa remains on a knife-edge, caught firmly between the devil and the deep-blue sea, as crippling social issues combine with failing infrastructure and rating agency pressure to hamper short and medium term growth prospects and efforts to bring about social and structural reform in the divided economy. Respite, for what it’s worth, comes in the form of tumbling oil prices, which allow the Reserve Bank policy space to maintain low interest rates, as inflation abates and the currency depreciation catches its breath.

For Namibia, the outlook remains far more positive, despite a number of gathering clouds. Following expected growth of 6.8 percent in 2014, 2015 remains set to deliver strong expansion in economic activity, irrespective of the strong base created in 2014. For the year, we expect to see expansion of 5.7 percent. This growth remains driven by an ongoing construction boom in the country, which boom is likely to continue for a number of years to come, both on the back of continued generous spending by Government, our new President and Cabinet, as well as major FDI inflows into the mining industry. As the construction boom slows, a major boom in mining output is to be expected, as the new mines, currently under construction, start and ramp up to full production levels.

Despite above-trend growth in the local economy, inflation is set to fall dramatically through 2015 on account of cost-push factors deriving from tumbling oil prices. Through the first half of the year inflation is expected to slow to 4.1 percent as first transport inflation falls, followed by slowing price increases for food. Inflation is likely to register just 4.7 percent for the year as a whole, well below the 5.4 percent level seen in 2014.

Sustained low interest rates in South Africa are likely to keep rate increases on hold in Namibia through 2015, and the most likely scenario for the country sees interest rates flat until mid-2016. This position will combine with FDI and fiscal policy to continue to drive imbalances in the current account, which imbalances are unlikely to be offset by the capital and financial account in its entirety, resulting in net outflows on the balance of payments and a further fall in reserves.

Outturn of 2014

The year 2014 can be best described as one of great contrast, and by definition thus, was made up of winners and losers. In this light, and while the final data is yet to be seen, various high frequency indicators suggest that the year fell very much into the former category as far as Namibia is concerned. The same, however, cannot be said of much of the global economy, which continued to languish, with highly divergent recoveries being seen amid both advanced and emerging economies. In China and Europe growth slowed, with the very realistic possibility of deflation and a triple-dip recession in the latter, while in the economy of the US, major forward strides were seen, illustrated by industrial output, consumer spending, growth and employment all bounding upward through the year. South Africa, Namibia's largest and closest trading partner faced a torrid year of challenges, with mining strikes (the longest in history), manufacturing strikes, civil servant strikes, power outages and elections, making it unlikely the country will see growth much over one percent. On the contrary, Namibia is expected to have grown well above trend levels for the fifth time in as many years.

Namibia's growth in 2014 was driven by construction and wholesale and retail trade, underpinned by three major factors, namely foreign direct investment, monetary and fiscal stimulus. Construction growth was underpinned by the consecutive and on-going construction of three mines, namely the Tschudi copper mine, the Otjokoto gold mine and the Husab uranium mine. These three mines are predominantly foreign funded, and the combined investment is on a scale never before seen in the independent history of the country at a single point in time. In addition to the mines, Government dramatically increased construction expenditure in the 2014/15 budget, off an already high base, while parastatals increased capital expenditure as did the private sector.

On the wholesale and retail front, major increases in the spending power of consumers has, unsurprisingly, driven notable expansion in consumptive activity in the country. These spending power increases have been driven, primarily, by accommodative monetary policy, fiscal policy, and increasing employment.

After three years of notable fiscal expansion, the 2014 budget upped the ante with one of the largest ever increases in expenditure in the history of the country. A whopping 26 percent increase in expenditure was budgeted for, and while unlikely to be spent in its entirety, should contribute heavily to growth in 2014. This major increase undoubtedly has a lot to do with the country's November elections, as well as efforts to fund large infrastructure projects in parastatals. In addition, Government's expenditure continued to focus on wages and salaries, which once again saw a major step-up in 2014, as in 2013, on account of above-inflation wage adjustments and civil service salary re-grading's. This, coupled with income tax cuts in 2013, acted as major fiscal stimulus, pumping money back into the pockets of the populous, and thus increasing the disposable and discretionary spending power of consumers. As a result of the major increase in expenditure, Government was required to issue sizable volumes of debt in the local market to cover the N$7.6 billion budget deficit, and is expected to once again tap the JSE bond programme, issuing up to N$1.5 billion on the South African exchange, in the first quarter of 2015. While the scale of increase in expenditure is perhaps somewhat concerning, the country's debt-to-GDP ratio remains one of the most favourable in the world at around 26 percent. In addition, despite major debt issuance seen over the past three years, the ratio has remained fairly stable, largely on account of the denominator in the calculation – GDP – growing at an equal or greater rate than debt.

Following a number of years of historically low interest rates in Namibia, 2014 saw two interest rate hikes, each of 25 basis points (0.25%). These increases precipitated from the South African Reserve Bank's interest rate hike in January, which aligned the two countries monetary policy positions for the first time in a number of years. On account of increased consumer power and relaxed monetary policy, demand for credit through 2014 was abnormally high, as is to be expected. On a rolling 12 month basis, net new credit issued by the commercial banks amounted to close to N$10 billion, the highest level yet seen in the country over a 12 month period.

As a result of the thriving economy and the monetary and fiscal policy pursued in the country, the balance of payments has come under notable pressure through 2014. However, the saving grace in this regard has been the abnormal levels of FDI seen over the same period. This FDI largely offsets the major trade deficit that has been witnessed through the year, as FDI funded imports were the primary drivers of construction activity in the country. Due to major import volumes and a weakening reserve position, a number of times through the year the country's reserve position looked concerningly low, and well below prudential limits set by the IMF. Additionally concerning is that the country's reserve position, reported in local currency, has been largely supported by the depreciation of the exchange rate, which paints an all too rosy picture of a deteriorating external position. However, these imbalances are expected to be temporary in nature, and once new mines start exporting their product, we should see the current account stabilise and the balance of payments mean-revert to stable levels.

Following major currency depreciation over the past 36 months, 2014 saw a slight decline in rand volatility and depreciation when compared to 2013. That said, the currency did bow-out to 11.3 to the US dollar in January, October and November, and to 11.8 in December, but otherwise largely remained between 10.2 and 10.8 to the US dollar. The general weakening in the rand over the past few years was partially driven by an unwinding of quantitative easing in the US and partially due to a weak economic outlook for South Africa.

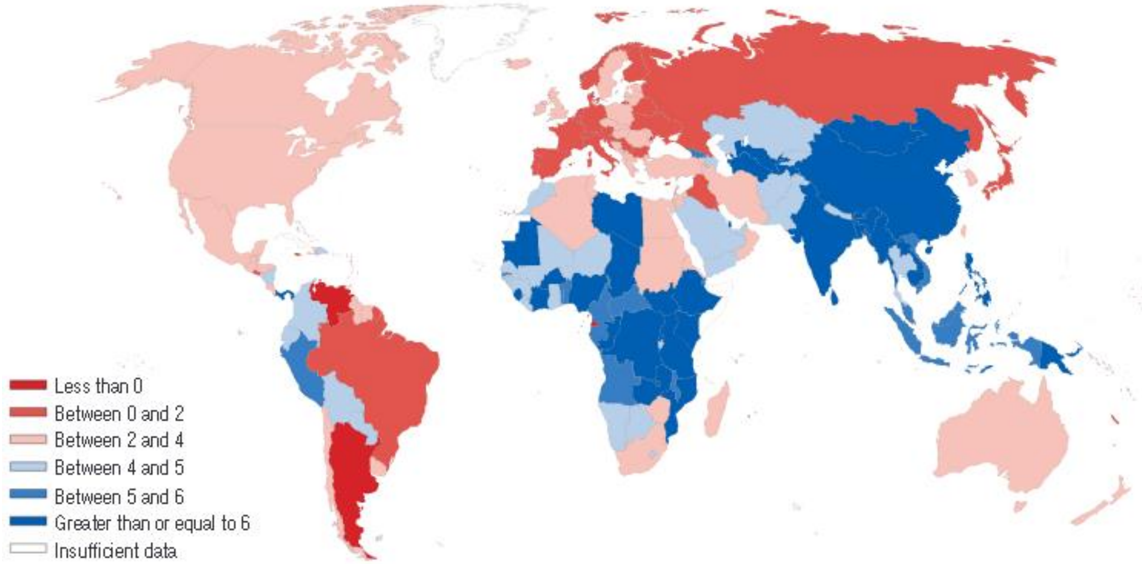
The construction sector is, internationally, one of the sectors with the greatest growth and employment multipliers in an economy, and in this, Namibia is no exception. Given the current construction boom, unemployment levels are expected to have declined notably through 2014, on account of direct and indirect employment opportunities generated through the sector. While some of these jobs will no doubt be transitory, others will be more permanent and many will convert from construction jobs into operational jobs on completed projects. As such, the employment situation in 2014 is expected to turn out to be amongst the most favourable in the recent history of the country.

Early in the year it looked as though inflation was set to blow out, as the first six months of the year saw a notable upward trend in price increases, largely on account of rand weakness through the latter part of 2013 and early 2014. However, from mid-year, a stabilising rand, coupled with falling oil prices saw some respite for consumers. However, there are classically two components to inflation, cost-push factors and demand-pull factors, and the demand side factors, in Namibia, generally consist of services, with prices determined or administered locally. Through 2014, we saw administered prices leading overall inflation, and in most instances, by a significant margin. This is classic of an economy starting to overheat, where excessive stimulus results in demand for services growing faster than supply thereof can be increased. This can be seen in various inflation categories, from housing to education to transport to utilities, and was and will remain a key focus for the central bank in their monetary policy decisions.

Global economy

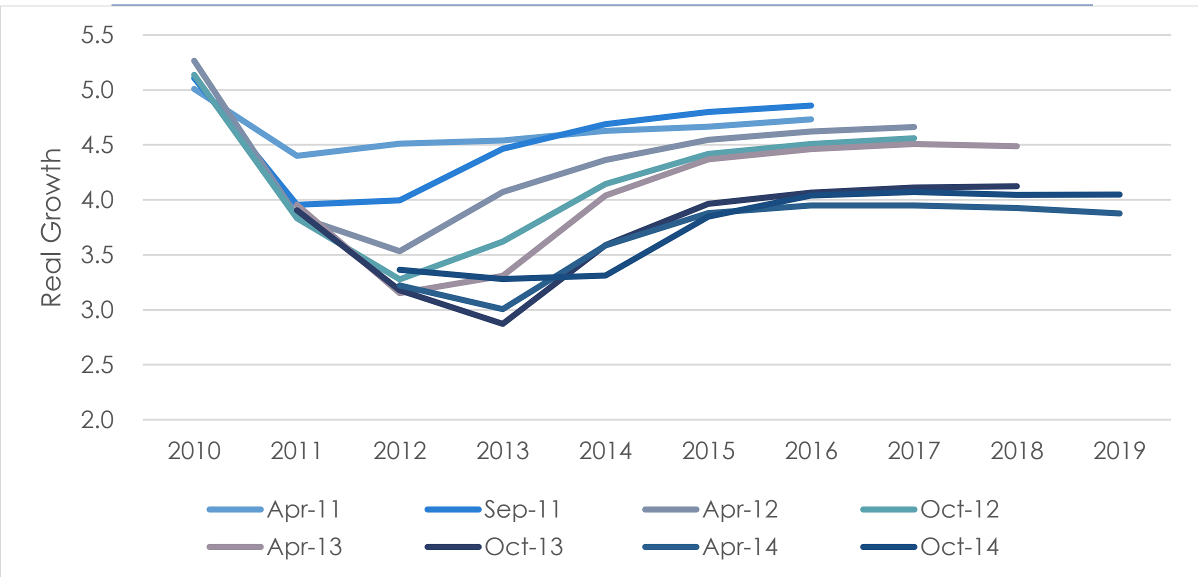
As has been seen for a number of years following the global recession in 2009, the International Monetary Fund in its recent World Economic Outlook update, downgraded global growth forecasts for 2015, slicing 0.3 percentage points off its estimate of last October. As such, global growth is now projected at 3.5 percent for 2015 and 3.7 percent for 2016. At the same time the International Labour Organisation has warned that unemployment will continue to rise over the next five years.

Global Growth Projections, 2015



Source: IMF WEO (October 2014)

IMF WEO Global Growth Forecasts



Source: IMF WEO (Various)

While the global outlook remains somewhat bleak, various factors suggest that an inflection point may have been reached. These include, but are not limited to, a notable improvement in the US economy – growth, employment, factory output-, and the highly overdue introduction of sizable abnormal monetary policy in the Euro Area in the form of quantitative easing. In addition, a major drop in world oil prices, which have fallen more than 50 percent since June 2014, is likely to provide the global economy with a much needed tailwind, which may assist some languishing economies to regain their feet.

Oil

The major collapse in oil prices has been driven by both demand and supply side factors, with the latter being the more significant of the two. Major supply increases from the US has taken the country from being a major importer to close-to-self-sufficient. This major change in global supply dynamics has irrevocably altered the elasticity of supply for OPEC, who it appears is no longer able to increase prices sufficiently through a decrease in supply to make such a move worthwhile. While conspiracy theorists suggest that OPEC is trying to sink marginal producers and regain control of global supply, or that the US is attempting to undermine the Russian economy through oil revenue collapse, neither is likely, as many OPEC producers have higher operating costs and breakeven points than the so called marginal suppliers, and investment in oil productive capacity far predates current US-Russia tensions. However, whatever the cause, the bottom line is that for net oil importers, 2015 should see improved gross value addition (cet. par.) on the back of lower input costs and increased disposable income, while oil exporters can be expected to struggle as revenues plummet.

United States

The US economy saw marked improvement through 2014, with factory output, employment, growth and other macroeconomic indicators suggesting that the country's economy is rapidly normalising. This broad recovery is expected to continue through 2015, led by an accommodative monetary policy stance and favourable financial conditions, much-reduced fiscal drag, strengthened household balance sheets, and a slow return to health for the ailing housing market. Employment growth is projected to be particularly strong, but some recovery of the labour market participation rate will slow the decline in the unemployment rate, while wage growth is expected to continue to pick-up, albeit at a slow pace. As a result, growth is projected to hit 3.1 percent in 2015.

Euro Zone

Following a number of hugely challenging years for the economies of Europe and the Eurozone, in early 2015 the European Central Bank (ECB) announced a long overdue bond buying, quantitative easing (QE) programme, illustrating a not-before seen commitment to driving recovery in the monetary union. While QE is unlikely to be sufficient to drive major recovery, it is viewed by many as a critical step in the right direction, driving down interest rates, weakening the exchange rate and improving investor and consumer confidence (particularly confidence in the commitment of policy makers). Improved liquidity through supressed interest rates, supported by a reduction in fiscal drag, and improving lending conditions, with a sharp compression in spreads for stressed economies and record-low long-term interest rates in core countries, as well as modest recovery in domestic consumption and labour market improvement are likely to drive growth and recovery in the Euro Area in 2015, with growth projected at 1.3 percent.

United Kingdom

In the United Kingdom, economic activity rebounded and became more balanced through 2014, driven by both consumption and business investment, thanks to improving credit and financial market conditions, healthy corporate balance sheets and labour market recovery. Growth is projected at 2.7 percent in 2015, while interest rates are expected to remain low in order to discourage fund inflows from Europe as investors hunt for yield. However, low interest rates have driven house price increases to abnormally high levels, especially in London, presenting a potential risk to long term financial stability, and a major challenge to the Bank of England.

Japan

Japan is projected to grow by 0.8 percent in 2015 driven by an exceptionally accommodative policy stance taken by the Bank of Japan. An aggressive interest rate position and major quantitative easing programme have helped lift inflation and inflation expectations, and actual and expected inflation are progressing toward the 2 percent target for the first time in many decades. Should actual or expected inflation stall or growth disappoint, further action by the Bank of Japan has been promised and is likely to be accompanied by complementary growth enhancing reforms from the countries Prime Minister. However, high levels of public debt, present the government with a sizable challenge in the fiscal policy space, as major expenditure increases or tax-cuts could put the already over-indebted country in a difficult long term position if not implemented with great caution, underscoring the importance of a pickup in confidence and investment without the direct assistance of fiscal policy.

China

With the major components of the global economy on highly divergent paths, China very much remains the elephant in the room, able to make or break the global recovery depending on which way it turns. Current projections place China's growth for 2015 at 7.1 percent, the country's lowest since 1990. However, while slowing, this remains growth of a vast magnitude on a global scale, given the size of the Chinese economy. At 7.1 percent, China's economy is set to add the equivalent of two South Africa's in 2015 in terms of gross value addition, and while small in percent change terms (compared to historic growth) the expansion remains the largest nominal expansion yet seen by the country. However, a number of potentially catastrophic risks remain, as it is believed that the economy is not geared for such a slowdown as indebted investors, particularly in the property space, could default on a large scale if expansion comes in much below their expectations.

South Africa

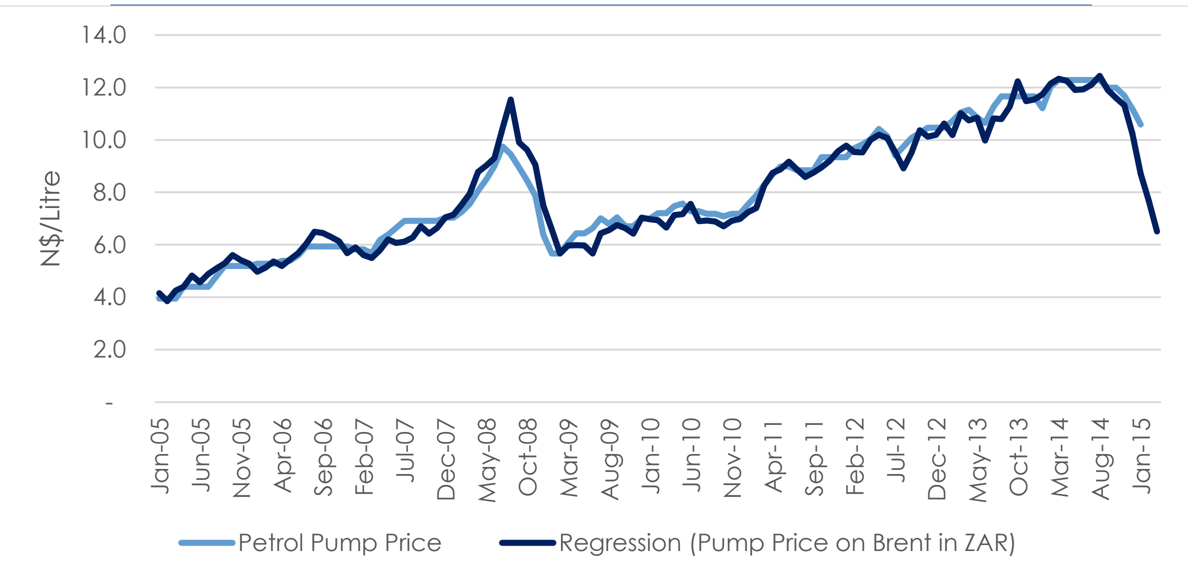
On the local front, the IMF has lowered its forecast for South Africa's growth in 2015 by 0.2 percent to 2.1 percent due to a number of factors including power challenges, slowing fiscal expenditure growth and falling in commodity prices. Structural constraints on electricity supply, transport infrastructure and labour productivity will continue to plague the economy for the foreseeable future, while commodity price declines will cause the current account and balance of payments to weaken. However, as a major oil importer, this current account weakness will be largely or completely offset by falling oil prices and thus oil imports.

Namibian Economy

Inflation

Through the early part of 2014 it looked as though inflation was set to blow out, as the first six months of the year saw a notable upward trend in price increases, largely on account of rand weakness through the latter part of 2013 and early 2014. However, from mid-year, a stabilising rand, coupled will falling oil prices saw some respite for consumers. A more than 50% drop in the rand price of oil since mid-2014 has resulted in a 14% decline in the fuel price thus far over the same period (to January 2015) with further declines expected. This should translate to lower inflation for most of the year as fuel prices stay well below 2014 levels, and first and second round price-respite is seen.

Namibian Petrol Prices



Source: Ministry of Mines and Energy, IJG Securities

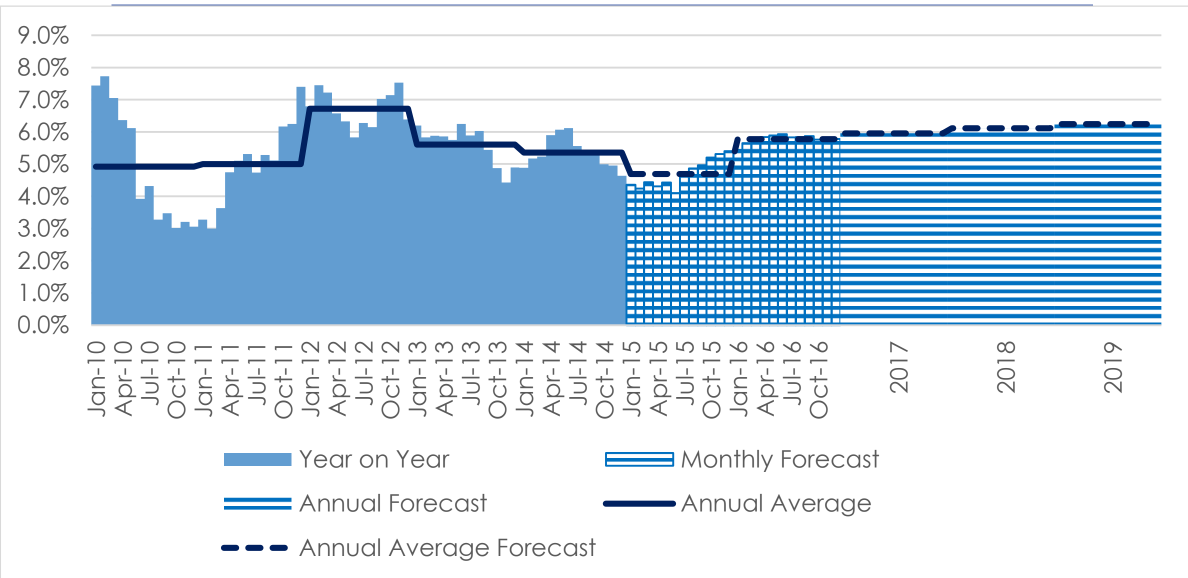
The Oil price will be a dominant theme in world economics this year with low prices bringing respite to many net importers of fuel. The fuel price directly makes up approximately 5 percent of the current Namibian CPI basket, however has an effect on almost half of the basket categories directly, or in the form of input costs. Oil prices are expected to stay low throughout the year with a possible slight uptick towards year end. By mid-year 2015, we should see the local fuel prices bottom out as the lag in the Government's transmission mechanism catches up with falling oil prices. In line with this we expect inflation at its lowest monthly level in June this year. However, first round effects are already being seen on inflation as pump and transport prices react relatively quickly (two to three months lag) to changing global fuel prices, while second round effects, particularly on food inflation, are expected to be seen with an eight to 11 period lag, providing for abnormally low inflation spread throughout the year.

Lagged Correlation of Inflation on Fuel Prices

Lagged Periods	Transport: Local Pump Price Petrol	Transport: Local Pump Price Diesel	Transport: Brent Crude in ZAR	Operation of personal transport equipment: Local Pump Price Petrol	Operation of personal transport equipment: Local Pump Price Diesel	Operation of personal transport equipment: Brent Crude in ZAR	Public transportation services: Local Pump Price Petrol	Public transportation services: Local Pump Price Diesel	Public transportation services: Brent Crude in ZAR
0	0.9557	0.9432	0.8966	0.9949	0.9884	0.9516	0.9448	0.9385	0.8755
1	0.9556	0.9435	0.9127	0.9919	0.9840	0.9704	0.9491	0.9430	0.8959
2	0.9535	0.9418	0.9212	0.9844	0.9753	0.9765	0.9512	0.9453	0.9103
3	0.9503	0.9385	0.9215	0.9751	0.9634	0.9696	0.9511	0.9463	0.9174
4	0.9471	0.9348	0.9178	0.9650	0.9497	0.9570	0.9512	0.9460	0.9194
5	0.9445	0.9311	0.9137	0.9552	0.9354	0.9435	0.9514	0.9454	0.9204
6	0.9427	0.9278	0.9089	0.9469	0.9221	0.9281	0.9509	0.9436	0.9207
7	0.9418	0.9256	0.9049	0.9408	0.9120	0.9132	0.9509	0.9412	0.9195
8	0.9417	0.9242	0.9016	0.9363	0.9038	0.9001	0.9517	0.9388	0.9183
9	0.9424	0.9236	0.8982	0.9333	0.8981	0.8889	0.9526	0.9364	0.9155
10	0.9433	0.9234	0.8956	0.9316	0.8940	0.8795	0.9519	0.9329	0.9121
11	0.9435	0.9227	0.8942	0.9287	0.8895	0.8728	0.9512	0.9295	0.9095
12	0.9420	0.9211	0.8927	0.9226	0.8833	0.8671	0.9505	0.9261	0.9054

Source: IJG Securities

Inflation Forecast



Source: Namibia Statistics Agency, IJG Securities

Due to falling oil prices and the resultant contraction in transport prices and slowing food price inflation through 2015, we forecast average inflation of 4.7% for the year with the first half inflation below the December 2014 figure of 4.6%, ramping up in the second half of the year. Our forecast for 2016 and beyond, while prone to more uncertainty, sees inflation returning to higher levels as the oil price and rand stabilise, base effects kick in and strong Namibian economic growth leads to increased demand-side inflation.

Key expectations:

- Brent crude to remain between U$45 and U$50 in H1 2015.
- ZAR to stabilise and retrace to 10.8-11.0 to the US dollar by Q3 2015.
- Namibian inflation to decline to 4.1% in June 2015, before bouncing back to 5.4% by year end.
- Namibian inflation to average 4.7% in 2015, 5.8% in 2016, 6.0% in 2017, 6.1% in 2018 and 6.2% in 2019.

Monetary Policy and Exchange Rates

The position of global monetary policy is very much in the lurch at the current point in time, with a divergent global economy and abnormal currency flows dictating the need for divergent monetary policy positions across various economic blocks, and further exacerbating erratic global fund flows.

As per expectations, in mid-January, the ECB announced a massive €1.08 trillion quantitative easing programme in the Euro area, following a similar such announcement in Japan in late 2014 and further exacerbating the increasingly divergent position of central banks around the world. Mere days before the announcement of the bond buying programme, a number of central banks, including those of Switzerland, Canada, Turkey and Denmark cut interest rates, presumably to discourage adverse capital flows and currency appreciation, a stark contrast to the position taken by the US Fed over recent months.

The quantitative easing programme of the ECB cements the market view that interest rates in Europe will remain low for an extended period of time, certainly through 2015 and most of 2016. On the other side of the pond, however, a fast recovering economy coupled with a sizable tailwind from falling oil prices not only spelled an end to quantitative easing, but also suggests that interest rate hikes are becoming ever more imminent, as inflation approaches and sustains a level of around two percent. The constrains to increased interest rates, however, are mounting and already sizable capital inflows into the US have seen the currency appreciate to abnormally strong levels vis a vis the Euro and other major currencies, threatening the US's terms of trade and making drastic rate hikes unlikely through 2015. Moreover, oil price declines threaten the success of achieving the targeted level of inflation in the near-term, which too is likely to result in interest rates remaining at depressed levels for an extended period of time.

Falling oil prices around the world have dampened the global inflation outlook, however this phenomenon is often poorly reported upon, either directly or indirectly suggesting that the reason for such is predominantly demand side driven, which is not the case. As such, falling inflation and expected deflation in Europe is broadly misunderstood to reflect a weak consumer state, which relationship only reflects causality in part.

The depreciation of the Euro caused by the weak European economy and the anticipation and introduction of QE should, in theory, help to drive inflation in Europe, however, while the European system is far from closed, the relatively self-contained nature of much of the consumer-side of the block, particularly for necessities, means that this depreciation will not have the same inflationary impact as would have been the case in a more import-dependent country/block such as South Africa. Moreover, should oil prices remain low for an extended period of time, headline inflation in Europe may well remain depressed, thus extending the period of time for which European interest rates will remain low, and during which quantitative easing will be utilised.

In South Africa, a situation of stagflation was narrowly and luckily averted through the oil price decline, rapidly increasing the policy space available to the South African Reserve Bank (SARB), as inflation receded from the top end of the target band towards the end of 2014. This decline in inflation is to continue through the first half of 2015, and South African inflation is expected to fall to below four percent over this period. In addition, massive QE in Europe and Japan are expected to drive major increases in global liquidity and as yields in Europe fall further (in many instances from already negative territory) the hunt for yield is expected to drive a reversal of recent capital flows out of emerging markets (and encourage further flows to the US) seen since the announcement of the unwinding of US QE. This reversal in fund flows is likely to see the Rand stabilise and start to appreciate against the Euro particularly, and to a lesser extent the US dollar. While contrary to popular opinion, it is the view of IJG that the SARB will cut interest rates by 50 basis points through the year, as inflation pressure abates, due to the anaemic nature of growth in the South African economy, not to mention household deleveraging in real terms, pervasive unemployment and expected Rand strength. While the challenges in the South African economy are broadly structural and historic and thus unlikely to be solved by lower interest rates, such a rate move would be unlikely to hurt the economy, and may well help to relieve the debt-servicing burden on consumers in the short-term, bringing some respite to corporates through less demanding wage settlements.

While the Bank of Namibia tends to follow the SARB fairly closely due to the Namibia Dollar-Rand peg, the uncoupling of the two economies over recent years presents a challenge for Namibian policy makers. Various factors suggest that Namibia needs significantly higher interest rates than her southern neighbour. These include the fact that Namibia continues to grow at above-trend levels, while South Africa languishes well below full output; Namibia see's private sector credit extension (PSCE) growth of upward of 18 percent – leading to the possibility of a credit bubble being created, while South Africa sees PSCE growth of under four percent (deleveraging in real terms); and Namibia's reserve position has grown ever more thin over recent years (particularly in hard currency terms) due to large volumes of consumer-imports, primarily, funded through credit extension. Nevertheless, it remains unlikely that Namibia will take a drastically divergent monetary policy position from that of South Africa, but it is similarly unlikely that BoN would follow South Africa should the SARB cut rates as expected. While unlikely, there remains an outside possibility of a rate hike in Namibia in Q3 or Q4 of 2015, should the reserve position (in NAD) fall dramatically on the back of Rand strength and major import growth, however it is more likely that the latter will be addressed through changes in regulation rather than changes in interest rates.

Nevertheless, we believe that the most likely scenario for interest rates in Namibia is unchanged through 2015, with the first hikes coming in Q2 and Q3 of 2016, taking the repo rate from the current 6.0 percent level to 6.5 percent by year-end 2016. Rates are expected to rise a further one percent per year in 2017 and 2018, and to then stabilise at these levels through 2019.

Interest Rates: Namibia

Source: Bank of Namibia

Year-end rates - Namibia

	Repo Rate	Prime Rate	Expectation
2015	6.00	9.75	Unchanged
2016	6.50	10.25	25bp hikes in Q2 and Q3
2017	7.50	11.25	100bp hike through year
2018	8.50	12.25	100bp hike through year
2019	8.50	12.25	Rates to stabilize

Source: IJG Securities

Key expectations:

- Euro-Dollar parity to be seen in 2015 or Q1 2016.
- ECB QE to extend beyond Q3 of 2016, interest rates to remain on hold till end 2016 and beyond.
- US interest rates to remain unchanged through first three quarters of 2015.
- South African inflation to fall to below 4% in the first half of the year.
- Rand to appreciate to 11:1 to the US dollar and the Euro by year end.
- SARB to cut rates in Q2 or Q3 of 2015.
- BON to keep rates on hold through 2015.

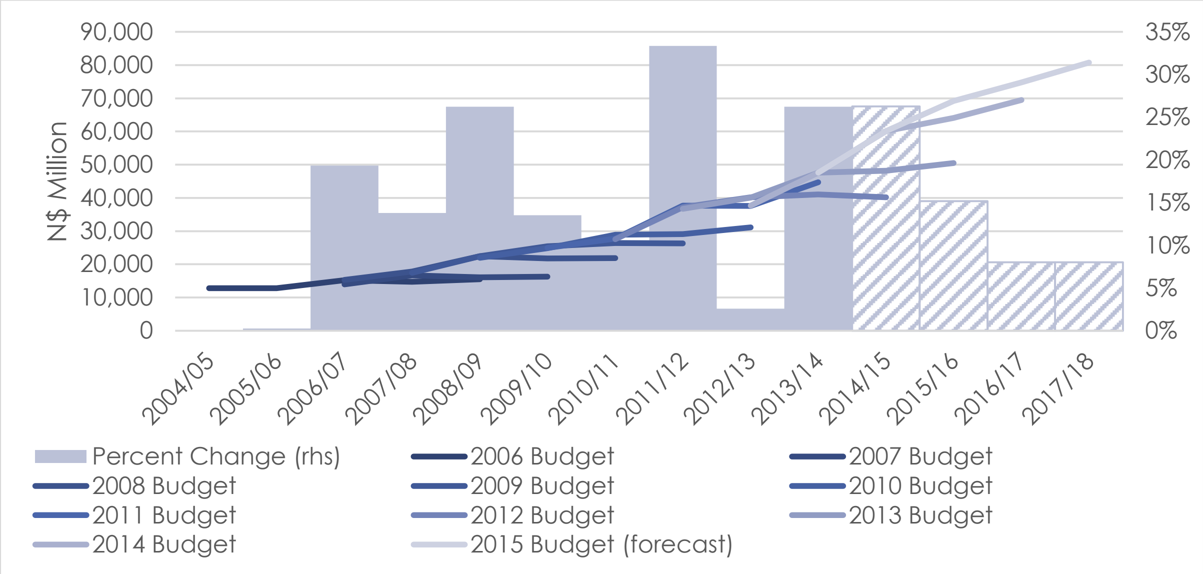
Fiscal Policy

The 2014/15 financial year budget took many analysts by surprise by the magnitude of its change from the preceding year, however, in retrospect, given the then phase of the political cycle, it was foreseeable. Government increased expenditure by 26 percent when compared to the FY2013/14, and by 25 percent from their previous forecast expenditure for the FY2014/15. This resulted in a sizable budget deficit of N$7.6 billion, or 5.4 percent of GDP. Following a major drawdown of cash reserves in 2013/14, 2014/15 has seen sizable net-issuance of government debt when compared to historic norms. Due to the scale of the increase in expenditure and the lack of preparation that preceded such, execution rates are expected to disappoint, and much of the allocated increase is likely to be returned to treasury at year end. This, however, is a blessing in disguise, as ambitious projected increases in revenue collection have not been realised, and pricing on debt issuance beyond that already issued and planned for would be likely to move against Government.

While many analysts are calling for major fiscal contraction in 2015/16, we believe this to be highly unlikely for two main reasons, namely that a new Cabinet and President will be sworn in in late March (just before the start of the new FY) and will be likely to want to make an immediate statement to the public; and that the FY14/15 budget projects a 6.7 percent increase in expenditure in 2015/16, which as evidenced by history, can only increase. Given the above, coupled with historic trends and known additional Government projects expected to receive funding, we expect continued budget expenditure growth of 15.2 percent in 2015/16. While sizable, this growth in expenditure is expected to be matched by revenue collection growth, and as such, the deficit is expected to remain unchanged at N$7.6bn. Local revenue collection is expected to remain strong due to sizable growth and employment generation in Namibia, resulting in increased corporate and personal income tax, as well as VAT receipts. The major threats, however, to revenue are SACU receipts, which receipts are largely dependent on South African trade, which trade may be wanting in 2014 and 2015, due to the blocks poor economic condition; and mining tax, which tax may disappoint in 2015 as falling commodity prices negatively affect mining company profits, and thus taxes.

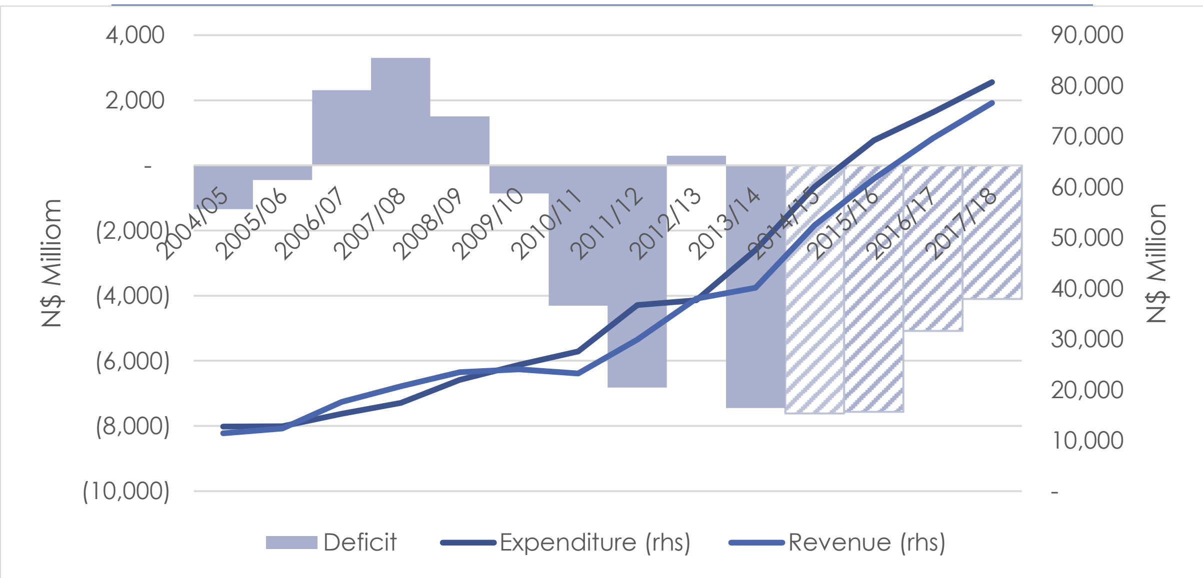
Longer term, Government is expected to continue to spend heavily, particularly on major infrastructure projects, largely through the country's various parastatals. However, following half a decade of expansionary fiscal policy, it is believed that this expenditure will be tempered with caution. Moreover, as part of the Cabinet reshuffle, it is possible that a new Finance Minister will be appointed, which individual may drive much needed budget and budget process reform.

National Budget



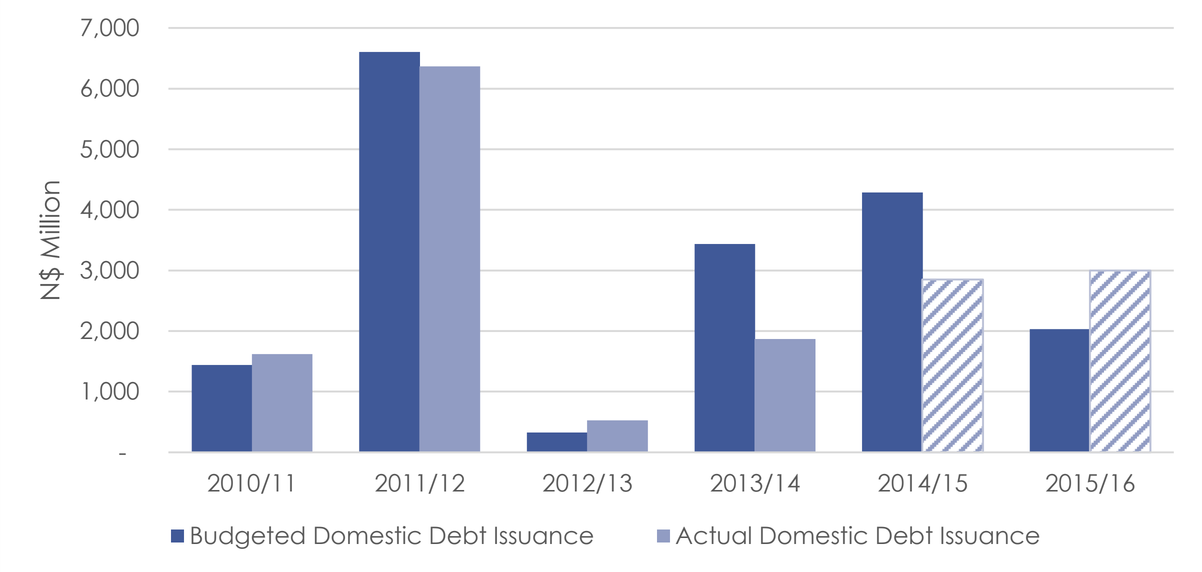
Source: National Budget Documents, IJG Securities

Budget Deficit



Source: National Budget Documents, IJG Securities

Domestic Debt Issuance



Source: National Budget Documents, IJG Securities

Key expectations:

- Budget expenditure increase of 15.2 percent in 2015/16
- Expenditure growth to be matched by revenue collection growth
- Deficit is to remain unchanged at N$7.6bn.
- Strong revenue collection from corporate and personal income tax, as well as VAT receipts
- Major revenue risk from SACU receipts due to weak SA economy
- Risk to forecast revenue collection from and mining taxes due to commodity price weakness.

Overall growth projections

Unprecedented levels of FDI and monetary and fiscal stimulus drove exceptionally strong growth in 2014, and while final official figures have yet to be released, high frequency indicators suggest that growth is likely to far exceed recent norms of 4.5 to 5.5 percent. Following a major construction boom and huge growth in disposable income within the populous, we estimate that the economy grew by 6.8 percent in real terms in 2014, the highest level seen in a decade.

In 2015, growth is expected to remain strong, at 5.7 percent, despite the high base created in 2014, and will remain driven by construction primarily. However, unlike 2014, other key pockets of growth will be seen in the primary and secondary industries. Notable amongst these are: a major step-up projected in gold production due to both increased output at Navachab- which disappointed in 2014, and the first major production at the new Otjikoto gold mine, which poured its first gold in late 2014 and is expected to ramp up towards full production through 2015; sizable growth in beverage production due to the first major production at the SAB Miller brewery, which started production in September 2014; major growth in chemical manufacturing on account of the new acid plant at the Tsumeb copper smelter; and sizable growth in metallic mineral production as the new Tschudi mine starts producing a copper cathode mi-2015 (classified as manufacturing in the national accounts).

Construction growth will remain driven by the two mines mid-construction (Tschudi copper mine and Husab uranium mine) and the soon to be completed B2Gold Otjikoto mine. In addition, Crayton Mining and Exploration are expected to start construction on their Omitiomire Copper project in the second half of the year, while the multi-billion dollar acid plant at Tsumeb remains under construction but should be completed by mid-year. Moderate additional construction activity is expected at Skorpion, Kombat, the various on-shore Namdeb mines, the Grove mall and a number of other relatively minor private sector projects across the country. New construction growth is, however, expected to stem from major Government and parastatal projects, including the NamPort expansion project, a number of power-generation projects and the Neckertal Dam project.

Longer term, growth is expected to remain strong as current construction projects, particularly in the mining sector reach completion and start to ramp up to full production. Moreover, the current construction boom it expected to continue for a number of years to come, barring a slight slowing in 2016, driven by major Government investment in logistic, energy, water and housing infrastructure. However, over a period of four years, growth is expected to mean revert to the high-four percent levels, but at a significantly more advanced base than that seen at the current point in time.

Key expectations:

- *We estimate that the economy grew by 6.8 percent in real terms in 2014, driven by construction.*
- *Growth to remain strong in 2015, at 5.7 percent.*
- *Driven by construction, as well as gold production, beverage production, chemical and metallic mineral production*
- *Longer term, growth is expected to remain strong at 5.1 percent in 2016, 5.3 in 2017, 5.1 in 2018 and 4.6 in 2019.*
- *Long term growth to remain driven by construction as well as completion and ramping up of mining sector projects.*

Real GDP Growth Rates

Industry	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual						Forecast					
Agriculture and forestry	-27.1	6.7	10.4	1.0	8.1	-27.5	12.3	1.3	4.1	2.6	3.7	3.2
Livestock farming	-38.6	9.0	13.2	6.1	6.0	-39.0	18.2	-1.9	3.2	0.4	2.5	1.5
Crop farming and forestry	-3.6	3.6	6.6	-6.3	11.6	-9.6	6.0	5.0	5.0	5.0	5.0	5.0
Fishing and fish processing on board	12.9	36.0	-2.4	-4.8	-7.6	2.5	4.0	2.0	2.0	0.0	0.0	0.0
Mining and quarrying	2.6	-31.7	22.2	-5.4	25.1	0.6	2.3	8.6	11.0	11.3	6.6	0.9
Diamond mining	-1.6	-52.2	44.1	-3.4	13.0	7.3	10.2	-12.4	5.9	5.6	0.0	0.0
Uranium mining	30.1	8.2	5.2	-24.9	27.1	-6.9	-29.4	24.8	23.6	40.5	25.0	0.0
Metal ore mining	-7.7	1.1	-1.8	-10.7	32.4	-30.7	-0.1	85.3	20.8	1.8	-1.8	-1.6
Other mining and quarrying	17.0	26.9	5.3	28.3	62.7	10.7	6.0	6.0	6.0	6.0	6.0	6.0
Primary industries	**-4.9**	**-14.0**	**13.7**	**-3.6**	**14.4**	**-6.6**	**4.6**	**5.9**	**8.2**	**7.9**	**5.1**	**1.3**
Manufacturing	4.9	2.0	7.5	5.7	-6.8	1.9	4.4	7.0	4.9	3.5	4.4	4.4
Meat processing	-6.3	4.1	5.6	-2.7	-1.1	15.8	-15.0	5.0	3.2	0.4	2.5	1.5
Grain Mill products	14.9	16.3	8.4	6.5	-1.6	7.2	6.0	5.0	5.0	5.0	5.0	5.0
Other food products	8.5	6.7	17.2	-10.3	-16.8	4.2	2.8	4.2	4.2	4.2	4.2	4.2
Beverages	3.2	15.2	1.9	0.4	15.0	6.6	7.3	10.2	9.2	3.0	3.0	3.0
Textile and wearing apparel	3.0	-1.1	3.6	4.7	6.1	4.7	2.0	3.4	3.6	3.6	3.6	3.6
Leather and related products	6.9	-35.9	11.6	12.7	11.3	-14.7	3.5	2.5	3.5	3.5	3.5	3.5
Wood and Wood product	14.7	-3.8	-10.0	-1.0	-4.5	3.7	6.7	2.0	-1.0	-1.0	-1.0	-1.0
Publishing and Printing	8.2	-7.4	-7.7	10.9	-12.6	5.2	5.2	5.3	5.2	5.2	5.2	5.2
Chemical and related products	0.2	5.9	7.3	12.0	4.1	3.3	3.0	15.0	8.0	3.0	3.0	3.0
Rubber and Plastics products	-3.9	-0.2	7.9	4.6	-7.6	-3.3	1.2	1.2	1.2	1.2	1.2	1.2
Non-metallic minerals products	6.4	-2.1	1.2	72.3	0.6	1.1	6.2	6.1	1.2	1.2	1.2	1.2
Basic non-ferrous metals	-11.2	11.7	13.0	15.5	-23.0	-5.8	8.0	8.0	4.0	5.0	8.0	8.0
Fabricated Metals	17.0	-10.9	9.1	-7.1	7.0	10.9	-0.6	0.0	0.0	0.0	0.0	0.0
Diamond processing	55.6	-44.2	23.4	5.5	-6.8	-7.3	6.5	4.6	4.6	4.6	4.6	4.6
Other manufacturing	18.3	19.2	-22.4	-8.1	3.8	7.6	3.2	8.9	5.7	3.8	5.7	5.7
Electricity and water	-8.9	-16.4	2.4	3.1	17.8	-0.7	5.0	5.0	5.0	5.0	5.0	5.0
Construction	15.4	-17.5	6.8	15.9	8.7	29.8	27.3	15.7	5.7	15.6	17.0	18.0
Secondary industries	**4.9**	**-4.4**	**6.8**	**7.3**	**-1.3**	**7.6**	**10.3**	**6.4**	**5.2**	**7.2**	**8.5**	**9.2**
Wholesale and retail trade, repairs	-4.0	10.0	7.5	5.8	4.3	14.5	10.5	5.5	4.5	4.5	4.5	4.5
Hotels and restaurants	3.5	5.5	6.5	9.5	8.1	4.7	3.0	4.4	4.0	4.0	4.0	4.0
Transport, and communication	10.7	16.0	6.7	4.9	8.0	9.8	9.2	10.5	4.4	5.1	5.6	6.1
Transport	1.9	5.8	0.2	10.0	10.0	13.8	14.5	12.7	7.0	7.3	7.9	8.7
Storage	24.1	1.1	5.8	8.3	7.7	2.7	6.5	14.1	2.0	5.8	6.2	6.5
Post and telecommunications	17.3	38.3	13.6	-1.1	6.2	8.5	4.5	6.4	2.0	2.0	2.0	2.0
Financial intermediation	16.0	-2.5	9.5	5.7	6.8	11.5	5.0	5.0	5.0	5.0	5.0	5.0
Real estate and business services	6.6	7.6	1.7	5.7	4.7	3.5	5.9	5.9	5.4	4.9	5.4	4.9
Real estate activities	4.3	3.6	3.9	2.6	6.7	4.8	4.7	5.4	5.0	5.0	5.1	5.0
Other business services	14.8	20.5	-4.5	15.0	-0.6	-0.2	9.6	7.5	6.6	4.5	6.3	4.6
Community, social and personal service activities	0.7	-0.5	1.6	11.2	-17.6	1.8	1.7	1.7	1.7	1.7	1.7	1.7
Public administration and defence	11.8	5.3	2.8	5.3	2.9	8.9	8.5	6.4	5.4	3.2	3.2	3.2
Education	4.9	3.0	-0.2	17.4	4.5	3.3	4.0	4.0	3.1	3.1	3.1	3.1
Health	-8.0	5.5	9.5	5.7	5.7	8.8	1.0	1.0	1.0	1.0	1.0	1.0
Private household with employed persons	8.6	8.6	8.6	8.6	8.6	-6.7	2.5	2.5	2.5	2.5	2.5	2.5
Tertiary industries	**5.1**	**6.0**	**4.6**	**7.4**	**3.9**	**8.1**	**6.7**	**5.5**	**4.3**	**3.9**	**4.1**	**4.1**
Less: Financial intermediation services indirectly measured	2.0	-7.3	23.4	10.6	4.5	9.4	9.4	9.4	9.4	9.4	9.4	9.4
All industries at basic prices	**2.7**	**-0.3**	**6.6**	**5.1**	**4.9**	**4.9**	**7.0**	**5.7**	**5.1**	**5.2**	**5.1**	**4.5**
Taxes less subsidies on products	1.8	8.0	0.0	5.3	8.9	7.4	5.0	6.0	5.3	5.6	5.3	5.5
GDP at market prices	**2.6**	**0.3**	**6.0**	**5.1**	**5.2**	**5.1**	**6.8**	**5.7**	**5.1**	**5.3**	**5.1**	**4.6**

Real GDP (N$ Million)	Actual							Forecast					
Industry	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Agriculture and forestry	4,909	3,578	3,816	4,214	4,258	4,603	3,337	3,747	3,795	3,950	4,053	4,205	4,340
Livestock farming	3,297	2,023	2,204	2,496	2,648	2,806	1,713	2,025	1,988	2,051	2,060	2,112	2,143
Crop farming and forestry	1,612	1,555	1,612	1,718	1,610	1,797	1,624	1,722	1,808	1,898	1,993	2,093	2,197
Fishing and fish processing on board	1,916	2,163	2,941	2,871	2,733	2,525	2,589	2,693	2,747	2,802	2,802	2,802	2,802
Mining and quarrying	10,035	10,293	7,033	8,598	8,135	10,175	10,231	10,464	11,363	12,618	14,044	14,968	15,107
Diamond mining	6,987	6,878	3,291	4,741	4,580	5,176	5,556	6,124	5,363	5,679	5,994	5,994	5,994
Uranium mining	1,201	1,563	1,691	1,778	1,335	1,697	1,579	1,115	1,837	2,270	3,189	3,986	3,986
Metal ore mining	1,248	1,152	1,164	1,144	1,021	1,352	938	937	1,737	2,098	2,136	2,099	2,065
Other mining and quarrying	598	699	887	934	1,199	1,950	2,159	2,288	2,425	2,571	2,725	2,889	3,062
Primary industries	**16,860**	**16,033**	**13,791**	**15,683**	**15,126**	**17,304**	**16,158**	**16,904**	**17,905**	**19,369**	**20,899**	**21,974**	**22,249**
Manufacturing	8,955	9,396	9,587	10,306	10,892	10,147	10,342	10,801	11,559	12,131	12,554	13,101	13,675
Meat processing	357	334	348	368	358	354	410	348	366	377	379	388	394
Grain Mill products	394	452	526	570	607	598	641	679	713	749	786	826	867
Other food products	1,126	1,222	1,304	1,528	1,371	1,141	1,188	1,221	1,272	1,325	1,380	1,438	1,498
Beverages	1,115	1,151	1,326	1,351	1,357	1,561	1,664	1,785	1,968	2,148	2,213	2,279	2,347
Textile and wearing apparel	429	441	436	452	473	502	526	536	555	575	595	616	639
Leather and related products	106	114	73	81	92	102	87	90	92	95	99	102	106
Wood and Wood product	272	312	300	270	268	255	265	283	288	286	283	280	277
Publishing and Printing	176	190	176	163	180	158	166	175	184	193	203	214	225
Chemical and related products	675	676	716	768	860	896	925	953	1,096	1,184	1,219	1,256	1,293
Rubber and Plastics products	265	255	254	274	287	265	257	260	263	266	269	273	276
Non-metallic minerals products	219	233	228	230	397	399	404	429	455	460	466	471	477
Basic non-ferrous metals	2,438	2,164	2,416	2,731	3,156	2,431	2,290	2,473	2,671	2,778	2,916	3,150	3,402
Fabricated Metals	406	475	423	462	429	459	509	506	506	506	506	506	506
Diamond processing	591	919	513	634	668	623	577	614	643	672	703	736	769
Other manufacturing	387	458	546	424	389	404	435	449	489	516	536	566	599
Electricity and water	1,974	1,798	1,503	1,538	1,586	1,868	1,854	1,947	2,045	2,147	2,254	2,367	2,485
Construction	2,576	2,972	2,451	2,618	3,035	3,297	4,279	5,422	5,730	6,057	6,999	8,189	9,663
Secondary industries	**13,506**	**14,167**	**13,541**	**14,462**	**15,512**	**15,313**	**16,475**	**18,170**	**19,334**	**20,335**	**21,808**	**23,657**	**25,823**
Wholesale and retail trade, repairs	8,173	7,850	8,635	9,284	9,827	10,245	11,729	12,960	13,673	14,288	14,931	15,603	16,305
Hotels and restaurants	1,223	1,265	1,335	1,421	1,555	1,681	1,761	1,814	1,894	1,970	2,048	2,130	2,216
Transport, and communication	3,093	3,424	3,973	4,238	4,444	4,800	5,268	5,754	6,359	6,636	6,977	7,367	7,817
Transport	1,560	1,590	1,682	1,685	1,854	2,039	2,320	2,657	2,994	3,203	3,437	3,709	4,033
Storage	532	660	667	706	765	823	845	900	1,027	1,048	1,108	1,177	1,254
Post and telecommunications	1,001	1,174	1,624	1,846	1,826	1,938	2,103	2,197	2,338	2,385	2,432	2,481	2,531
Financial intermediation	3,714	4,309	4,202	4,602	4,863	5,194	5,790	6,079	6,383	6,703	7,038	7,390	7,759
Real estate and business services	6,109	6,511	7,008	7,126	7,529	7,883	8,161	8,642	9,155	9,649	10,119	10,668	11,192
Real estate activities	4,764	4,968	5,149	5,350	5,487	5,852	6,134	6,421	6,767	7,103	7,458	7,840	8,234
Other business services	1,344	1,543	1,859	1,776	2,042	2,030	2,027	2,221	2,388	2,546	2,660	2,828	2,958
Community, social and personal service activities	2,198	2,213	2,201	2,236	2,488	2,049	2,086	2,122	2,158	2,195	2,232	2,270	2,308
Public administration and defence	7,518	8,408	8,850	9,100	9,579	9,860	10,742	11,655	12,401	13,066	13,484	13,915	14,361
Education	5,447	5,712	5,882	5,872	6,894	7,202	7,442	7,739	8,049	8,298	8,554	8,819	9,092
Health	2,382	2,191	2,311	2,531	2,674	2,828	3,077	3,108	3,139	3,170	3,202	3,234	3,266
Private household with employed persons	666	723	785	853	926	1,005	938	962	986	1,011	1,036	1,062	1,089
Tertiary industries	**40,522**	**42,607**	**45,182**	**47,262**	**50,779**	**52,747**	**56,994**	**60,836**	**64,197**	**66,984**	**69,621**	**72,459**	**75,405**
Less: Financial intermediation services indirectly measured	867	885	820	1,011	1,119	1,169	1,279	1,399	1,531	1,674	1,832	2,004	2,192
All industries at basic prices	**70,021**	**71,922**	**71,694**	**76,396**	**80,299**	**84,195**	**88,348**	**94,510**	**99,906**	**105,014**	**110,497**	**116,086**	**121,286**
Taxes less subsidies on products	5,639	5,741	6,198	6,202	6,529	7,108	7,633	8,014	8,495	8,943	9,448	9,946	10,489
GDP at market prices	**75,660**	**77,663**	**77,893**	**82,598**	**86,827**	**91,302**	**95,981**	**102,525**	**108,401**	**113,957**	**119,944**	**126,032**	**131,775**

Agriculture and Forestry

Due to the arid nature of most of the country, rain is a determining factor to the output of both crop harvests and livestock farming in Namibia. According to the national accounts, the agriculture sector contracted 27.5 percent in 2013 after Namibia experienced one of the worst droughts seen in over three decades. During 2014 however, Namibia had a favourable rainy season and we estimate that the agriculture sector rebound, growing by 12.3 percent.

Looking forward, rainfall for 2015 is expected to be favourable over most parts of the country. According to The Ministry of Works and Transport 2014/2015 Seasonal Rainfall Forecast done by the Meteorological Service Division, there is a high likelihood of normal to above normal rainfall throughout the country, with a 40% probability of above average rainfall, 35% of normal rainfall and only 25% probability of a below average season.

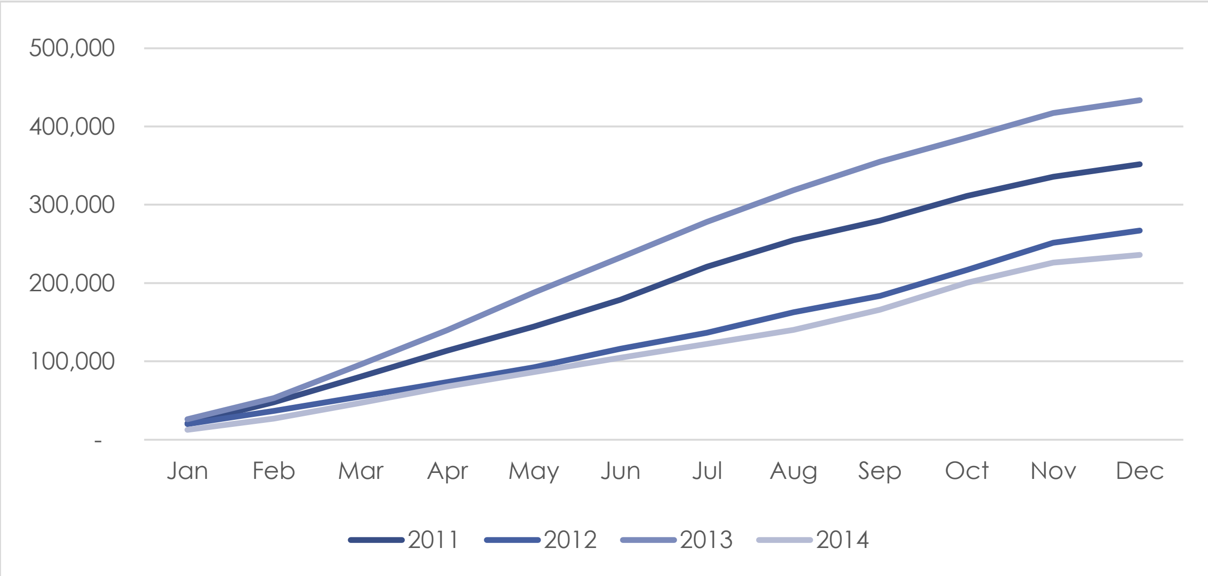
Livestock

During 2014 only 236,000 cattle were marketed, this is 45.6 percent less than the 433,627 animals marketed in 2013 and almost a 100,000 less than the average over the past six years. These numbers reflect that farmers started rebuilding herds after poor veld conditions and high feeding costs as a result of the drought which forced them to reduce livestock numbers through 2013. These low sales volumes should reflect positively on the national accounts however as declining sales volumes reflect inventory rebuilding and work-in-progress, which should be recorded as a positive for accounting purposes.

A total of 95,259 cattle were exported to South Africa and Angola on the hoof during 2014, a decrease of 65 percent on the previous year, which was largely on account of farmers building inventory as well as a temporary closure of the South African border to Namibian imports due to fears of disease. Interesting to note is that slaughter numbers by Meatco and other local abattoirs was more or less in line with previous years, reflecting that much of the fall in sales volumes stems from exports rather than local slaughter and production.

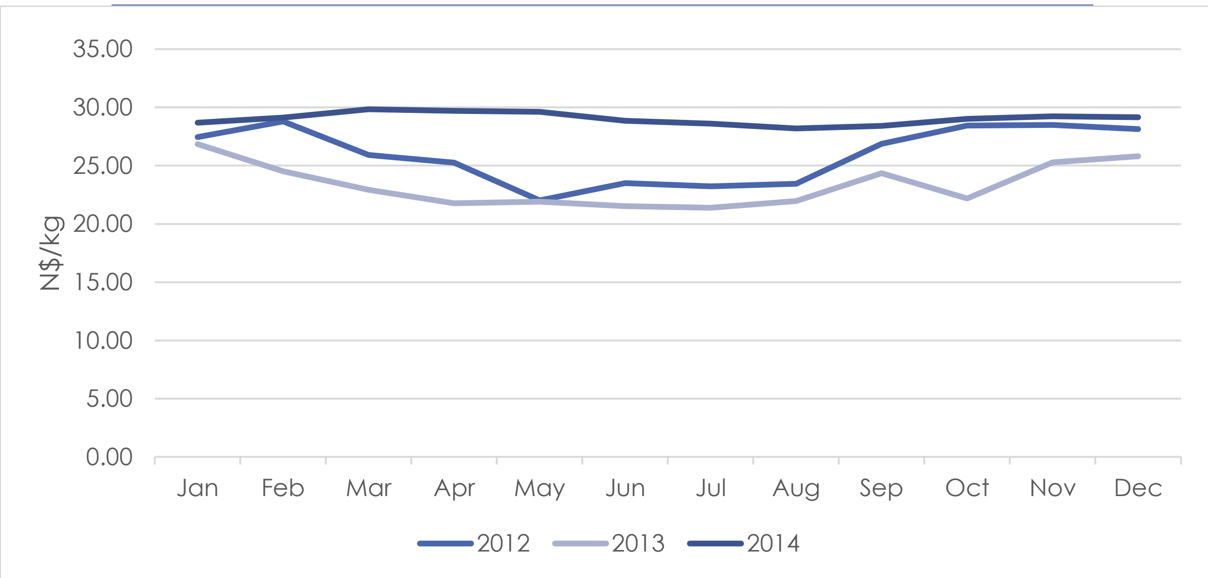
We expect the sub-sector to perform in 2015 in a similar manner to 2014 from a gross value addition perspective, however off a higher base, thus denting the performance from a growth perspective. The reason for this is that as a consequences of the number of cattle that were exported in 2013, it will take the industry at least the next two years before the national cattle herd will recover. The outcome regarding export regulations to South Africa will also be a determining factor for the industry in 2015, especially the weaner segment of the market. Whether or not these regulations will actually be implemented remains uncertain.

Cumulative Cattle Marketed



Source: Meat Board of Namibia

Average Beef Producer Prices

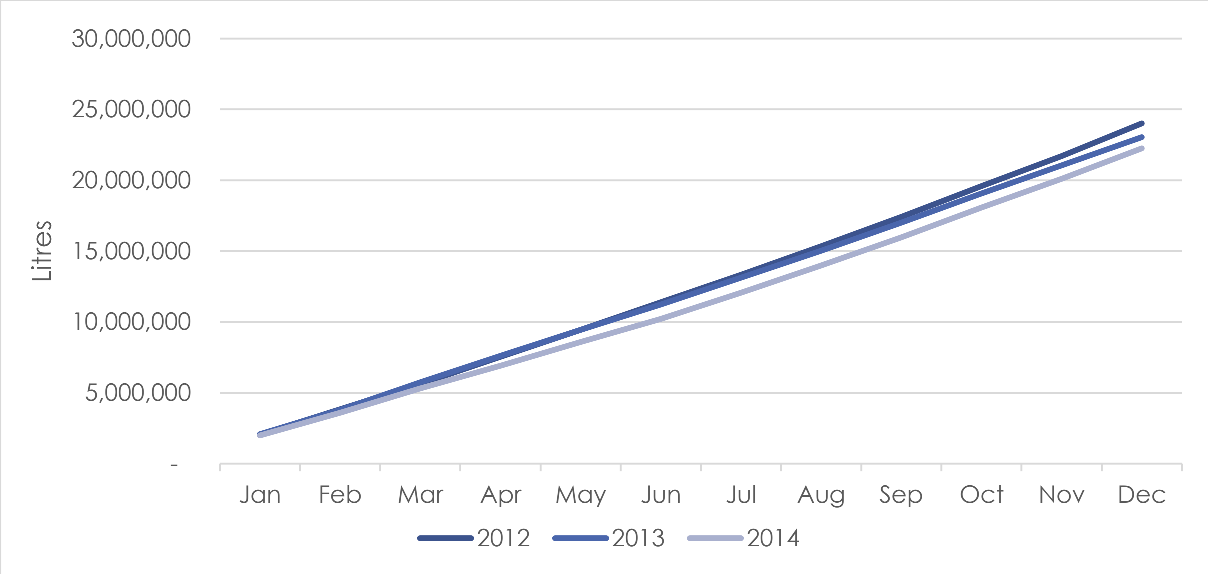


Source: Meat Board of Namibia

Dairy & Poultry

The dairy and poultry industries performed well in 2014 given the challenges faced by these industries. As one can see on the graph below, local milk production was more or less in line with previous years, missing the 2013 mark by a mere 3.4%.

Cumulative Milk Production



Source: Namibia Agricultural Union

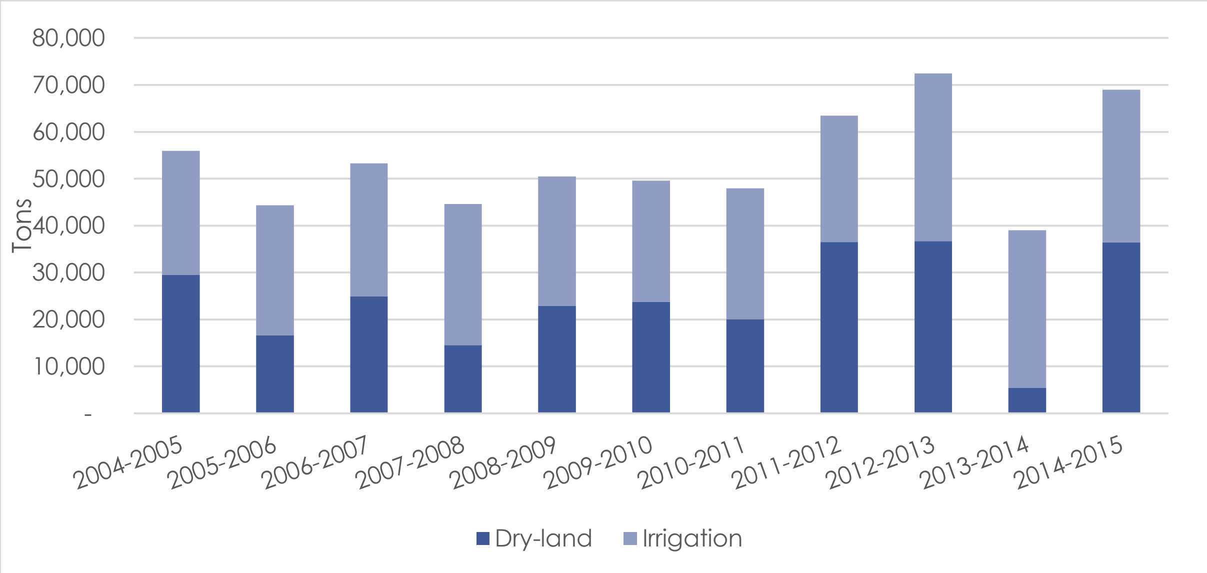
The outlook for both poultry and dairy are positive for 2015. The poultry industry still enjoys protection regarding import limitations, however the South African Poultry Association and five companies involved in the South African poultry industry in 2014 lodged a case against the Minister of Trade and Industry, the Government and Namib Poultry Industries in the Windhoek High Court, asking to set aside the import restriction stating that importation of poultry products into Namibia would only be allowed in accordance with an import permit issued by the Ministry of Trade and Industry, and that no more than 900 tons of poultry products may be imported into Namibia per month. At the point of writing, the outcome of the court case remains uncertain.

On the other hand, in the dairy industry, the application of Matador, Clover and Parmalat was granted and thus the regulations for the quantitative restrictions for the import of dairy products were put aside. As milk farms in Namibia supply half of the local consumption, foreign milk production will determine the outcome of the dairy industry in Namibia. Currently, South Africa is experiencing low supply of milk as low water levels and power shortages hamper production, while Europe has excess supply of powder milk, which is a potential threat to local market producers.

Crops & Forestry

According to the Agronomic Board, despite some farmers being reluctant to plant after the drought in 2013, harvests were back to normal levels in 2014 due to the favourable rainfall experienced country-wide.

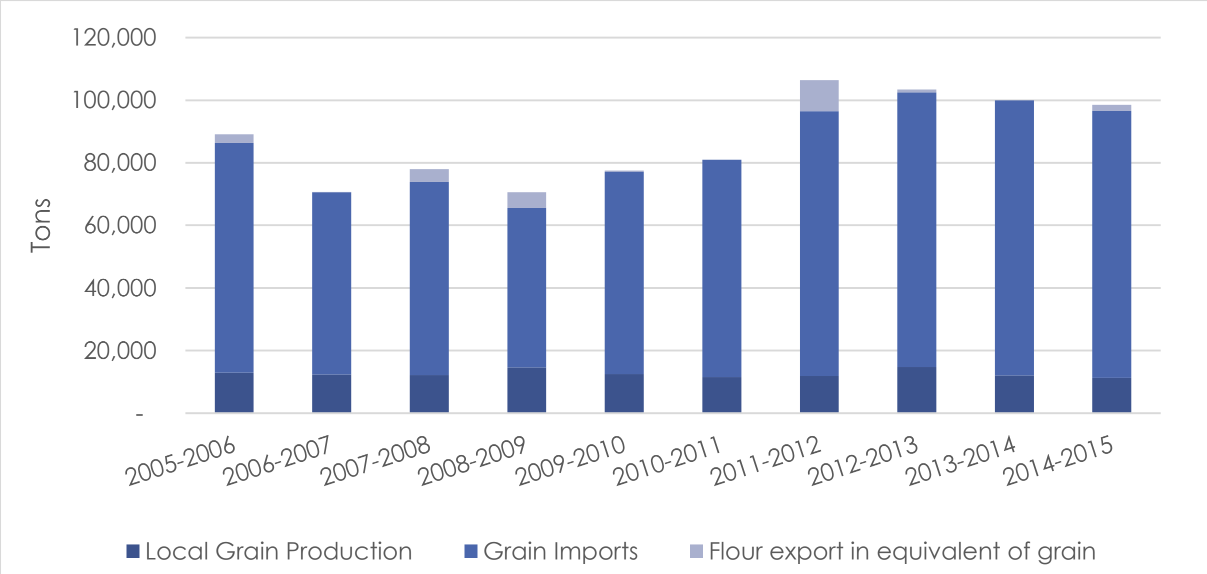
White Maize Production



Source: Agronomic Board of Namibia

White maize is a staple grain in Namibia and is grown primarily for human consumption. On average, dry-land harvests almost equal that grown under irrigation, and sometimes exceed it during good rainfall seasons, as was the case in 2011, 2012 and 2014. However, in the case of a drought, dry-land harvests collapse, as was witnessed in 2013.

Wheat Production



Source: Agronomic Board of Namibia

The harvest of maize grown under irrigation for 2014 was in line with previous years, but it is estimated that hectares planted have declined marginally as some farmers moved away from wheat and planted more luscern which is less labour intensive and more suitable for the Namibian climate.

Horticulture experienced an increase in local production during 2014. Potatoes and onions contribute a significant portion of the output of the horticulture industry in Namibia as local production accounts for half of the country's consumption. 14,000 tons were produced from January to May 2014, which exceed the 11,000 tons of potatoes and onions produced in 2013.

Looking forward, a good year for crops is expected should the rain be favourable. The Horticulture outlook is positive, while good wheat and maize harvests are also expected during 2015. From a growth perspective, we expect agriculture as a whole to expand by 1.3 percent in 2015, driven by 5.0 percent growth in crop farming, dampened by a 1.9 percent contraction in livestock farming.

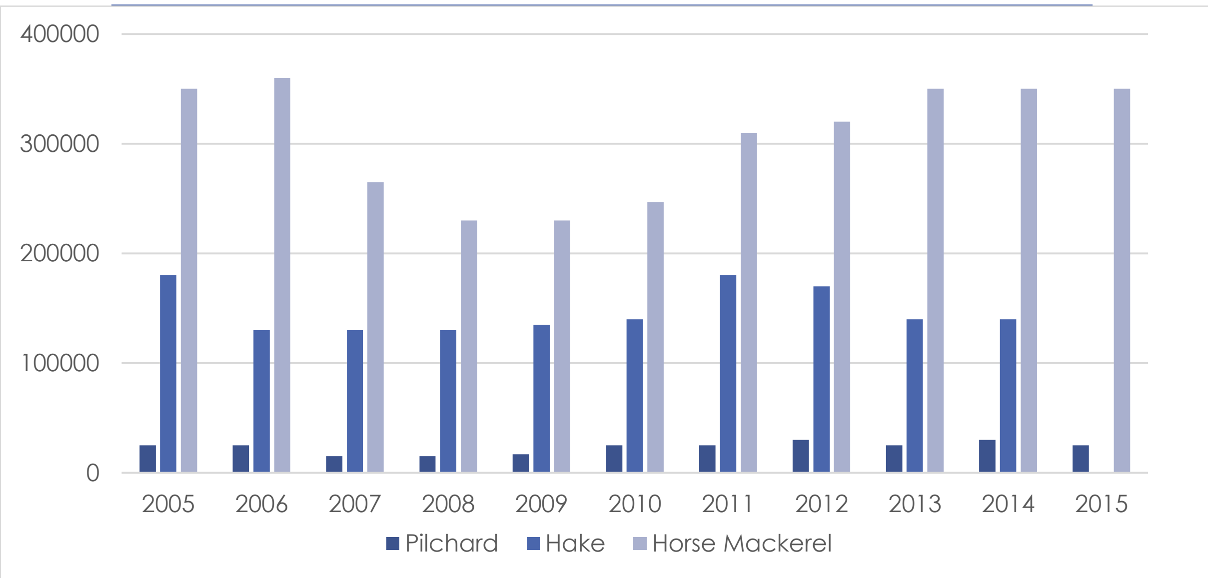
Fishing and Fish Processing on Board

The Namibian fishing industry recorded real growth of 2.5 percent in 2013, with growth prospects strong as Total Allowable Catches (TAC) for the 2014/2015 fishing season remain favourable due to the healthy state of the various fish resources. However, weak European demand for luxury fish, and import restrictions on fish imports to Nigeria caused prices for hake and horse mackerel to weaken somewhat through the year. That said, the weaker local currency remains the silver lining for many fishing companies, coupled with falling fuel prices - one of the largest cost contributors.

The fishing sector's main products are hake and horse mackerel as well as canned pilchards, fish meal and oil. Since 1990, growth in the sector has been driven largely by growth in the production of fresh and processed hake, the quota for which remained unchanged through 2014 and is expected to remain unchanged or increase in 2015, however this will only become known in March 2015.

Despite the decrease in TAC from 30,000 tons in 2013 to 25,000 tons in 2014, prospects for pilchard are positive as the resource is healthy and the local market for canned pilchard has grown significantly over recent years. Local fishing companies noted that recent horse mackerel landings showed good results and the TAC for horse mackerel was kept at 350,000 tons by the Ministry. We forecast growth in the fishing industry of 2.0% in 2015

Total Allowable Catches



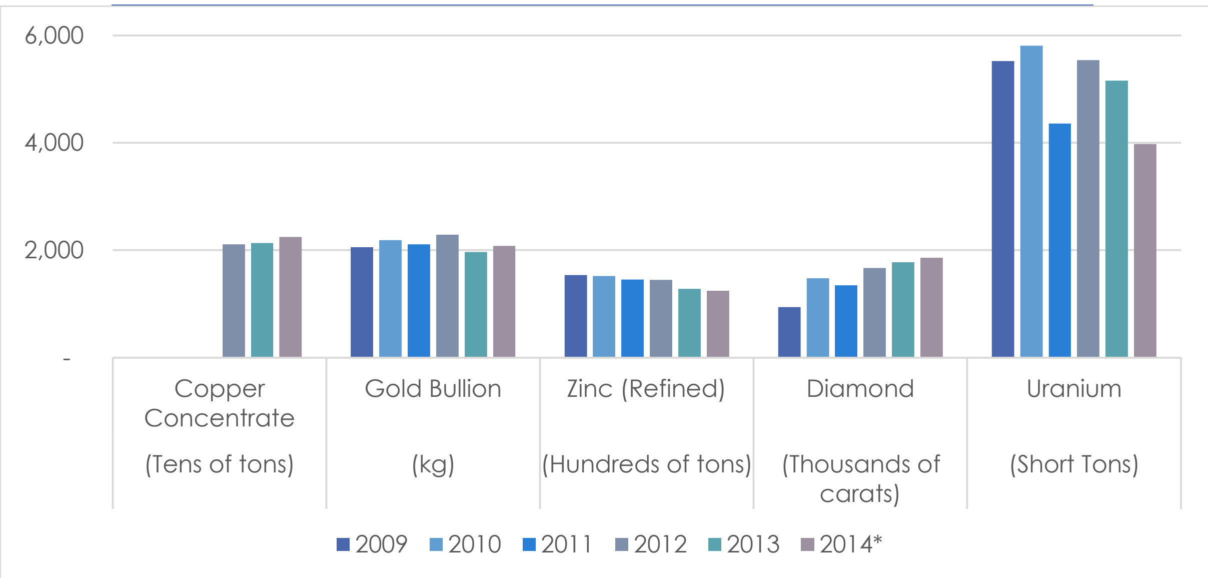
Source: Ministry of Fisheries and Marine Resources

Mining and Quarrying

For miners, 2014 will not be remembered as a favourable year, as slowing growth in China and a generally languishing global economy saw demand for commodities fall, taking with it commodity prices. This weakness in commodity prices wreaked havoc across much of the region, with a number of mine closures seen, as well as major companies spinning off loss making or less profitable assets, in an attempt to sure-up key aspects of their businesses, and maintain asset quality and profitability. Particularly troubled were the uranium miners, with Rossing forced to cut production and thus jobs, as the uranium price fell to U$28/lb for the first time in almost a decade. Langer Heinrich fared little better and was forced to sell a minority (25%) stake to a subsidiary of the China National Nuclear Corporation, for a sum of just under N$2 billion, in order to refinance the project's finance facility. In addition, production disappointed, particularly in the third quarter, as planned maintenance and technical challenges resulted in lower than expected output levels. The uranium price remains troubled, as a major decline in the oil price through the second half of 2014 dragged energy counters and commodities down with it, including uranium.

Nevertheless, it appears that the tide may be turning, as Japan moves ever closer to restarting some of its nuclear reactors following an extended period of down-time after the Fukushima Daiichi nuclear disaster of March 2011. Moreover, nuclear power remains an ever more important part of the Chinese power solution, as the Chinese administration look to move away from dirtier fuels on the back of increasing pressure from the populous.

Mineral Production Volumes



Source: Ministry of Mines and Energy, Chamber of Mines, IJG Securities

As part of an effort to consolidate core assets, the Navachab gold mine was sold by AngloGold Ashanti, to British private equity firm QKR Corporation Limited for a consideration of N$1.2 billion. This sale comes about as the gold price fell from over U$1600/oz in late 2012, to little over U$1200/oz as of end 2013. Volatility and deflation risks caused the gold price to rally into the end of 2014 however, moving back up to U$1300/oz.

From a commodity price perspective, however, regional countries were somewhat protected by the rand-dollar exchange rate, as a weak rand bolstered rand-sales values despite dollar price softening. Through the year the rand depreciated vs. the US dollar by 10.3%, and by 36.6% since the end of 2012. As such, the rand based commodity prices for most of Namibia's key commodities remained reasonable through the year, providing a silver-lining to the otherwise challenging environment.

Partially as a result of prices, Namdeb undertook, and continues to undertake, notable investment in further mining and exploration through the year. The company not only commissioned a new mine, Sendelingsdrif, along the Orange River, but also committed to the purchase of a new exploration vessel, expected to be delivered in 2016.

Current commodity price weakness notwithstanding, the Namibian mining sectors outlook remains hugely positive, as the consecutive on-going construction of three mines not only spells a first for the country, but delivers major long and short-term benefits to the sector, and the economy as a whole. The three mines under construction are the Tschudi Copper Mine, the Otjikoto Gold Mine and the Husab Uranium Mine.

The Tschudi Copper Mine will be Namibia's third (currently) operational copper mine, however not only will it more than double the country's copper production, but it will also be producing a refined copper cathode product, the first large-scale project of the sort in the country, opening up various possibilities for further value-chain capture. The mine is on track to start production in mid-2015, ramping up to full production through 2016. The Otjikoto mine, likewise, will almost triple the country's gold output when in full production, and started to pour gold for the first time in late 2014. The third mine under construction is the Husab Uranium Mine, which by all accounts, is a major game-changer for the Namibian economy. When in full production in 2017, the mine will result in a three-to-fourfold increase in Namibia's uranium output, and become the second largest uranium mine in the world. Moreover, it will rocket Namibia from the globes fifth largest uranium producer, to second largest. While the nature of the value chain of uranium makes further capture on the downstream side unlikely, the economies of scale created by the N$20 billion capital project and its forecasted expenditure and export earnings, suggest that major upstream benefits could be seen. In addition, major growth multipliers can be expected off this expenditure, as well as off the sizable cash-wages expected to be paid by the mine to her employees.

Between them, the three new mines are expected to create close to 5000 construction jobs through 2014 and 2015, and approximately 2500 full time jobs thereafter. The effect of this job creation and the multiplier effects associated with such can be visually witnessed in the local economy, however, through the national accounts, the mining sector is expected to perform relatively poorly in 2014, as actual mineral output was somewhat wanting through the year, with much of the aforementioned activity appearing only in the construction line of the accounts, rather than that of mining. 2015, however, should see this start to change, with major growth in gold production helping to drive mining sector growth.

As well as the mines currently under construction, a number of other mining licences have been approved and are pending development. These include the Etango, Valencia and Zhonghe uranium projects, the Omitiomire copper project, the Loadstone and Shiyela iron projects, and the LL Namibia and Namibia Marine phosphate projects. Of these, the Omitiomire project appears to be the most developed, with construction expected to start towards the end of 2015. In addition, following the imposition of an 18 month moratorium on marine phosphate mining in September 2013, the phosphate mining companies have had their hands ties through 2014, however have been carrying out development and test work in preparation for operations should the moratorium be lifted going forward.

On the hydrocarbon front, little extensive development was seen through 2014 when it comes to the discovery of viable oil fields and reserves, however, the Kudu Gas field remained at the centre of attention as on-going efforts attempt to stylise its development into much needed energy supply in the country. While still a number of years from realisation, after more than 40 years since discovery, the project now appears to be more developed than ever before, and a gas-turbine power station may be seen in the country before the turn of the decade.

While 2014 was a challenging year for Namibian miners, the outlook remains broadly positive. The uranium price is likely to stabilise or recover through the year; gold prices are likely to remain supported by deflation fear and volatile global markets; diamond prices remain positive. Copper prices, however are somewhat concerning. Additional challenges, however, remain for the sector. Shortages of power and water supply are fast becoming prohibitive to the sectors' further development, while prices are ever-increasing. Availability of skilled and qualified personnel too remains a problem, particularly as new mines are driving a major increase in demand for mining skills across the country. Nevertheless, the country remains an attractive mining jurisdiction, as witnessed by current developments, and 2015 should spell a more positive year, unexpected shocks notwithstanding. Moreover, a major cost input into the sector, fuel, has seen major price declines over the past few months as increasing US shale output negates OPEC's ability to dictate global prices in a low demand period.

Growth in 2015 is expected to be driven by gold production and a rebound in uranium production following disappointing production volumes in 2014. As such, uranium production is expected to expand by 24.8 percent in 2015, while metal ore mining is expected to jump 85.3 percent on the back of a major increase in gold production. Diamond production is expected to decline, primarily due to base effects, taking overall growth to 8.6 percent for the mining sector. Longer term, growth will be driven by production from Husab and Tschudi coming on-stream, as well as the expected development of Omitiomire and the Gergerub zinc deposit near Rosh Pinah.

Manufacturing

Overall 2014 manufacturing performance was mixed, although skewed to the positive, as expected. The meat processing subsector normalised after drought conditions led to high slaughter volumes in 2013. Cement production volumes continued to be strong, largely driven by the construction industry's growth, and the food manufacturing remained a relatively stable contributor to the sector. In addition, the new SAB brewery started its first production in September 2014, and is expected to ramp up to full production through 2015, while the Tschudi mine copper is expected to start producing a refined copper cathode product (classed as a manufactured product) from mid-year.

The Ministry of Trade and Industry's Growth at Home initiative has been officially approved by Government and should help to assist the manufacturing sector's contribution to the economy in the medium to long term if implemented effectively, alongside key policy documents such as the Industrial Policy, the Procurement Bill, and the Retail Charter. Effective implementation of these policies should lead to local companies winning more tenders and fostering a more competitive manufacturing sector within the country.

Risks for the year ahead are a possible reshuffle of Ministers within the Cabinet, electricity supply in the region, and water supply. A Cabinet reshuffle may lead to a loss of momentum in development of the sector, while electricity and water access and pricing are crucial input components to manufacturing.

Construction growth will contribute positively to sector growth as it has in previous years although a slowdown due to the high base is expected. Production in the fishing industry should continue to contribute to a stable base for the manufacturing sector. The implementation of the Growth at Home initiative has the potential to make 2015 a breakthrough year in terms of steps taken in the right direction to promote the growth of the manufacturing sector. All considered the sector outlook for the year ahead is more positive than last year on account of these developments.

The sector is expected to expand by 7.0 percent in 2015, driven primarily by increased beverage production at the SAB Miller brewery and strong growth in chemical production thanks to the soon-to-be-completed acid plant at the Tsumeb smelter.

Electricity and water

Electricity

Historically Namibia has relied heavily on its neighbours for electricity, with imports contributing 68% of the supply during the 2013/2014 period. Local production was made up primarily by the Ruacana plant with Van Eck contributing about 3% of Namibian production and 1% of total usage. The diesel Paratus plant was not run during the period and the other diesel plant, Anixas's supply was negligible.

In order to boost local generation capacity, the runners on the Ruacana turbines are being upgraded to add 15MW of supply to the plant's capacity, which addition is expected to be completed mid-year. However, Ruacana's production is dependent on the Kunene river flow rates which are strong at present but may be disrupted by climate conditions as well as Angolan hydro activities at the Gove Dam higher up on the Kunene River. Along with the expected increase in generation from Ruacana there are various other smaller improvements expected during the year, as well as the refurbishment of the Van Eck plant in Windhoek, which will see an increase in capacity of approximately 16MW as well as a much more reliable plant that can be used more regularly than has recently been the case.

Complimentary to current plant upgrading, various independent power producers are scheduled to begin generating electricity in the coming years. These are likely to contribute, by 2020, close to 70MW in the form of renewables, as well as an additional 250MW+ of base load production, probably from gas turbines. The first of these, the Omburu InnoSun PV plant, should be up and running by the second quarter of 2015, generating up to 4.5MW. While these IPP's should contribute to the total generation capability of Namibia, the expected step loads due to the Husab mine coming online (an additional 50MW for two years and 100MW thereafter) as well as normal demand growth, will see Namibia's local power generation deficit increase. Given the importance of electricity for growth and development within the country, the supply thereof will continue to be a concern for Namibia, given her dependence on the challenge hampered. Due to this, efforts to increase local generation (partially funded through cash-flow) and NamPower's cost reflectivity policy, we should see continued increases in the price of electricity over coming years.

One key project for dramatically increasing local generation capacity is the Kudu Gas to Power project, however this project has seen a number of delays to the optimistic deadlines, and production, if at all seen, is likely to only materialise towards 2020. There have been hiccups recently with stakeholders Tullow Oil and Itochu Corp pulling out of the project and the Government seeking new partners in the China Africa Development Fund and the China National Offshore Oil Corp to take their place. Government is expected to give the necessary guarantees for the project to go ahead although this is not the only retarding factor. Commencing with the project may come down to securing off-take agreements as Kudu's production of approximately 800MW would lead to the export of a reasonable amount of excess electricity. In the meantime, to fill a gap between ending regional purchase agreements and the coming-on-stream of Kudu, a 250MW power plant has been put out on tender, and appears likely to be won by a proposal to build a single-cycle gas turbine station near Walvis Bay.

For now, however, Namibia is reliant on electricity imports and the import agreements currently in place. One such agreement, with Eskom, is due to expire in March this year with the Aggreko agreement (Mozambique) coming to an end in August. The Eskom import agreement renewal is currently being negotiated while the Aggreko contract is being replaced by an ECM (Mozambique) agreement for between 20 and 80 MW. The current ZESA (Zimbabwe) contract is due to be replaced by an 80MW ZPC agreement which will be able to supply up to 40MW of base load to Namibia. Base load agreements are generally more useful to the country as they allow Namibia to utilise the imported electricity during peak hours. These agreements are currently a necessity and provide power at a better rate than drawing directly from the Southern African power pool on an ad hoc basis, although tend to be more expensive than Namibia's own generation.

Risk factors for the coming year include the general regional challenges currently being faced - especially in South Africa, regional power agreements due to be renewed, and step load increases due to new mines coming on line. Eskom's recent struggles are far from over as the threat of prolonged load shedding becomes ever more likely. Domestic supply issues at Eskom may make it increasingly challenging for Namibia to source base load from South Africa, despite the relatively small nature of local demand. Thus, NamPower continues to focus on securing agreements to provide Namibia with a stable base load from other sources.

Major step load increases are expected through the next three years in the form of the Husab mine (100MW by the end of 2016), the Scorpion mine -currently receiving power from Eskom (if not renewed - 100MW could be added to the Namibian grid in 2018) and various other mines and manufacturing activities. With potential challenges of this magnitude it is becoming ever more important that Namibia increases its electricity generating ability to support the level of growth we are currently experiencing.

Water

Demand for water continues to increase as the Namibian economy grows and the populous becomes more wealthy. Various step loads continue to be the greatest drivers in demand growth for the coming year with the Husab mine being the biggest of these, with major demand for both construction and operating activities. The Erongo region is in a delicate balance when it comes to water supply with the Areva desalination plant making up for low water levels in aquifers over the last two years.

The Areva desalination plant currently supplies water to the Rossing, Langer Heinrich, and Husab uranium mines via NamWater with close to half of its production going to the coastal municipalities due to the current shortage in the area's aquifers. The Namibian Government is to negotiate a purchase of the plant for up to N$3 billion to secure water resources in the region, but there has been no official transaction agreement to date. The plant is a valuable resource in the area as water is a necessary input in the mining of uranium. Provision for expansion was made when Areva built the desalination plant thus the current production capacity of 20 million cubic meters can be expanded in the future as Husab approaches full production.

Central parts of Namibia have yet to experience much rain in 2015 and the water levels at dams supplying the region have been declining at a rapid rate. Current combined levels of the dams supplying Windhoek stand at 32.1% compared to 35.8% at this time last year (January 2014). According to rainfall data from the Namibian Meteorological Service, rainfall in the capital is currently slightly below the norm and significantly lower than last year, although the rainy season is just starting to kick in. The 2013 drought left the Von Bach, Omatako, and Swakoppoort dams at historically low levels with the area needing a good rainy season in 2015 to bring the water levels up to normal levels.

Construction

The major growth seen in the Namibian economy over the past four years has been largely construction driven, with the recent expansion reflective of a classic construction boom. This boom has been driven by the consecutive construction of three major mines across the country, as well as major Government, parastatal, and private sector construction activity in the logistics, retail, residential, mining and manufacturing sectors.

During 2014 the B2Gold mine produced its first gold and is fast approaching completion, while the Tschudi copper mine is due to be completed by mid-year 2015 with construction pushing forward during the New Year. Construction at the Husab mine is progressing well with the mine set to begin production by the end of 2016. The Craton copper mine in the Gobabis area is on the horizon and expected to start construction during the year despite current legal issues. The mining sector is thus expected to continue to contribute to the growth in construction this year with various projects on the horizon.

On the retail side, 2014 saw the completion of the much anticipated Grove Mall, and while the mall is complete there is still a lot of construction taking place in the surrounding areas, on the adjacent private hospital and major residential blocks. Much of the construction capacity freed up from the completion of the mall should flow over to these projects now. Windhoek and its surrounds continue to see expansion on the construction front if at a slower rate than in previous years, due to base effects.

Government continues to allocate sizable funding for infrastructure construction, renovation, and improvements for the 2014/2015 period ending in March this year. This budget was estimated at N$5.06 billion, up from N$3.76 billion during the previous period. The estimated amount for the 2015/2016 period is N$4.74 billion ramping up to N$5.72 billion in the following period – both likely to be revised upward, however. Even with government estimating a slight decrease in spending in the sector during the period in review, the amount is still significant in context of recent construction spending and significant in terms of the budget for the year.

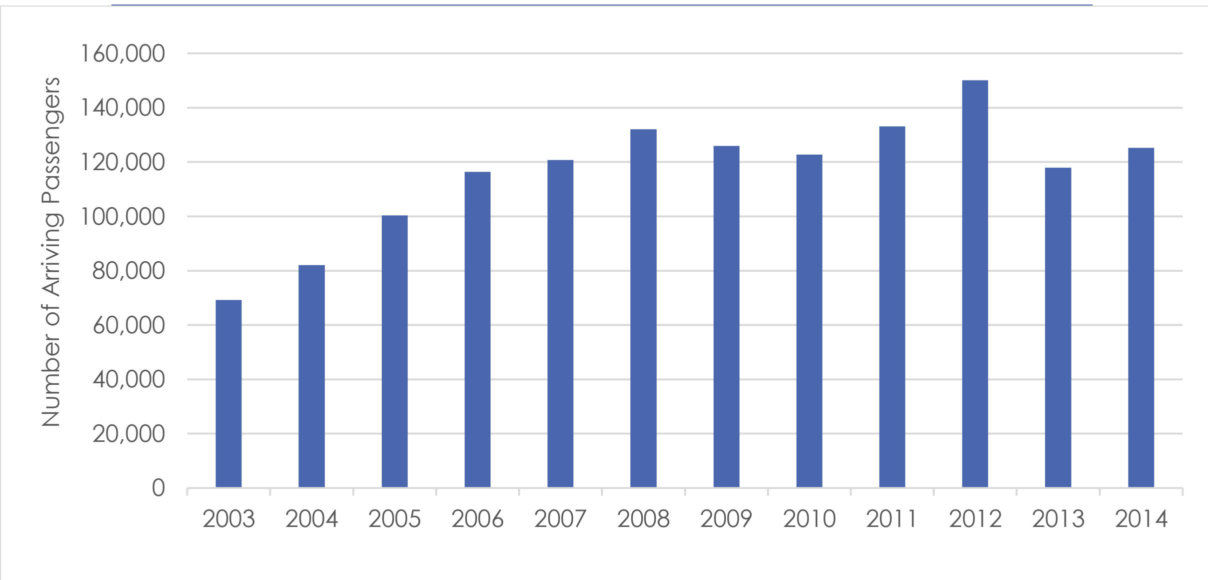
Despite the high base created in 2014, we expect the construction sector to continue to grow aggressively in 2015, at 15.7 percent. Longer term, growth is expected to remain strong despite current construction projects coming to completion in 2015 and 2016, particularly in the mining sector. New mining sector projects, coupled with major Government investment in logistic, energy, water and housing infrastructure are likely to underpin construction growth from 2017 onward, in line with development plan priorities.

Tourism

In 2014, the local tourism industry anticipated a bumper year on account of prolonged Euro-Rand weakness making it extremely cheap for German tourists, particularly, to visit Namibia. However the Ebola outbreak in West Africa, which was first reported in March 2014, had a significant impact on booking figures, and many tourists deciding to put off their travels until it was deemed more safe to do so. Ironically, however, many of the tourists that decided against travel live notably closer to the outbreak than Namibia and Southern Africa as a whole. Nevertheless, despite there being no cases of Ebola in Southern Africa, misconceptions of Africa did dampen tourist arrival figures and thus gross value addition in the sector.

Looking at the airport figures, arrivals at the Hosea Kutako International Airport stand at just over 125,000 arrivals for 2014, and although its more than 2013, the figure fall short of the 130,000 average over the previous 5 years.

International Arrivals by Air



Source: Namibian Airports Company

Going forward, the outlook for the sector remains positive, primarily due to the sustained rand weakness versus major currencies. However, euro weakness following the announcement of QE by the ECB will continue through the year, making it unlikely that any further depreciation of the rand vs. euro will be seen through the year.

As such, the sector is expected to expand by 4.4 percent through the year, driven by volume growth off last year's disappointing base.

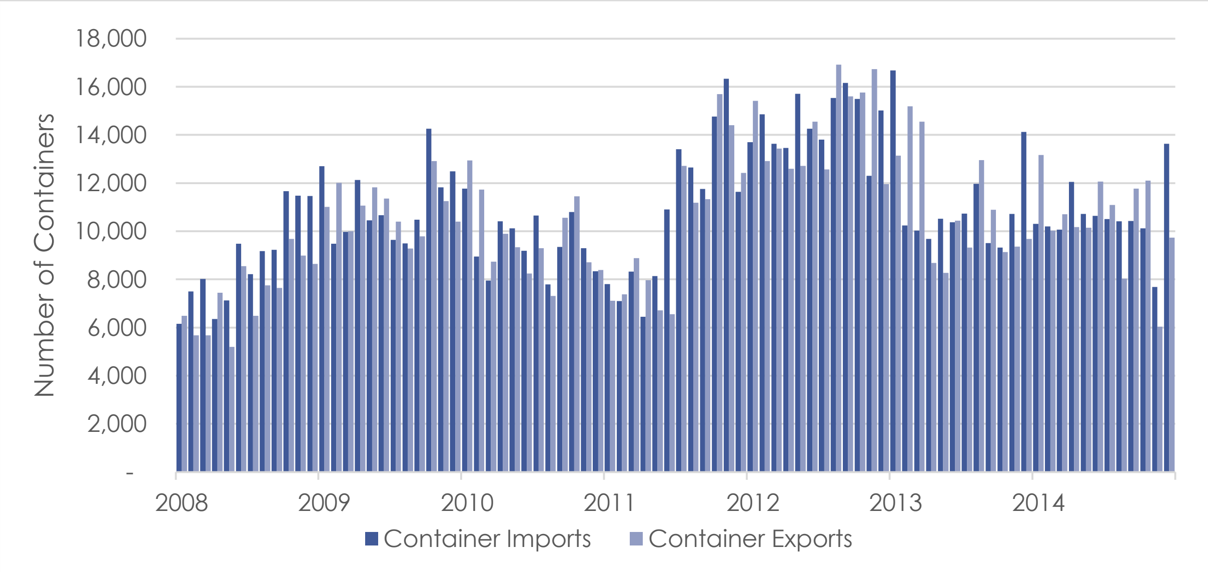
Transport

Over the last decade the transport industry has seen a prominent growth trend as Namport expanded activities significantly, with cargo handled more than double and containers handled more than six times higher, and road and air volumes expanded dramatically. However, port activities have slowed over the past two years; 2013 TEU's handled decreased by 23.0 percent when compared to 2012 and fell a further 5.3 percent in 2014. The total cargo handled for the 2014 period at the Walvisbay and Luderitz port decreased 8.1 percent year on year. Low intra-SADC trade volumes are being blamed on the slow pace of industrialization in most of the member states, strong local currency, exchange control measures and other imposed import restrictions.

However, looking forward, the increased economic activities, most notably in the mining and manufacturing sectors, are expected to have a highly positive effect on the growth for the transport industry. Namport is still continuing with its expansion program, costing more than N$2 billion, and remains optimistic about the important role it has to play in the region and strategies that were developed to expand the Walvis Bay port will continue. This include the optimization of existing container terminals, a new container terminal, enlarged rig and ship repair facilities, tanker berth and a marina waterfront. However, the success of the transport industry in Namibia will depend on the outcome of TransNamib's turnaround strategy currently being executed in an effort to address the dismal state of local rail infrastructure and to improve rail efficiency.

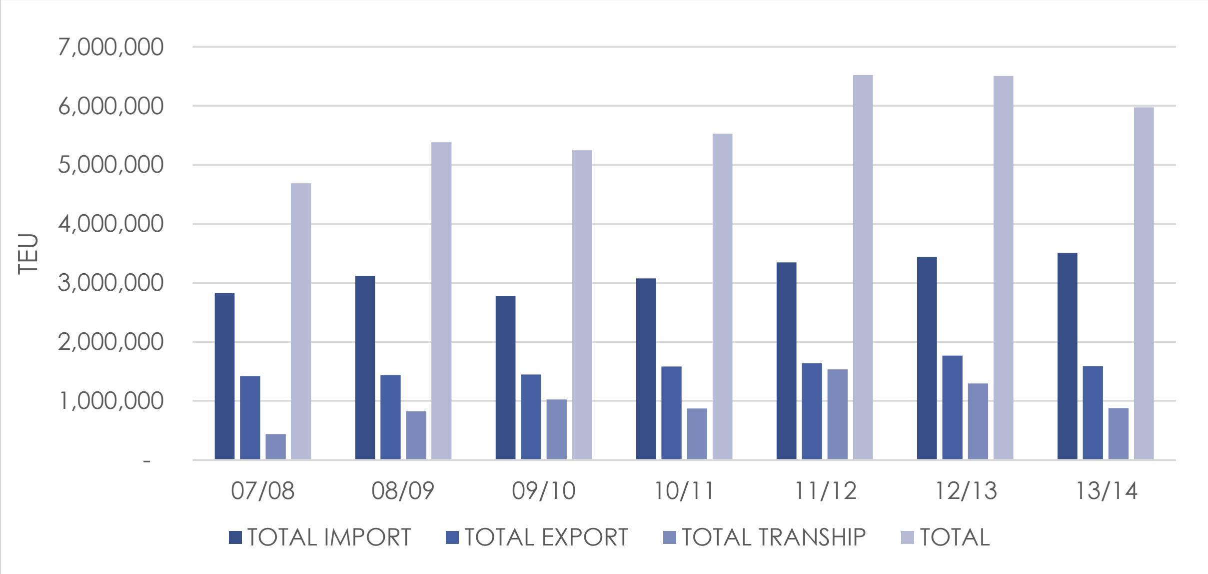
The transport sector is estimated to have grown by 14.5% in 2014, and is expected to expand by a further 12.7% in 2015.

Namport Container Processing



Source: Namport

Cargo Handled in Walvis Bay and Luderitz Ports



Source: Namport

Balance of Payments

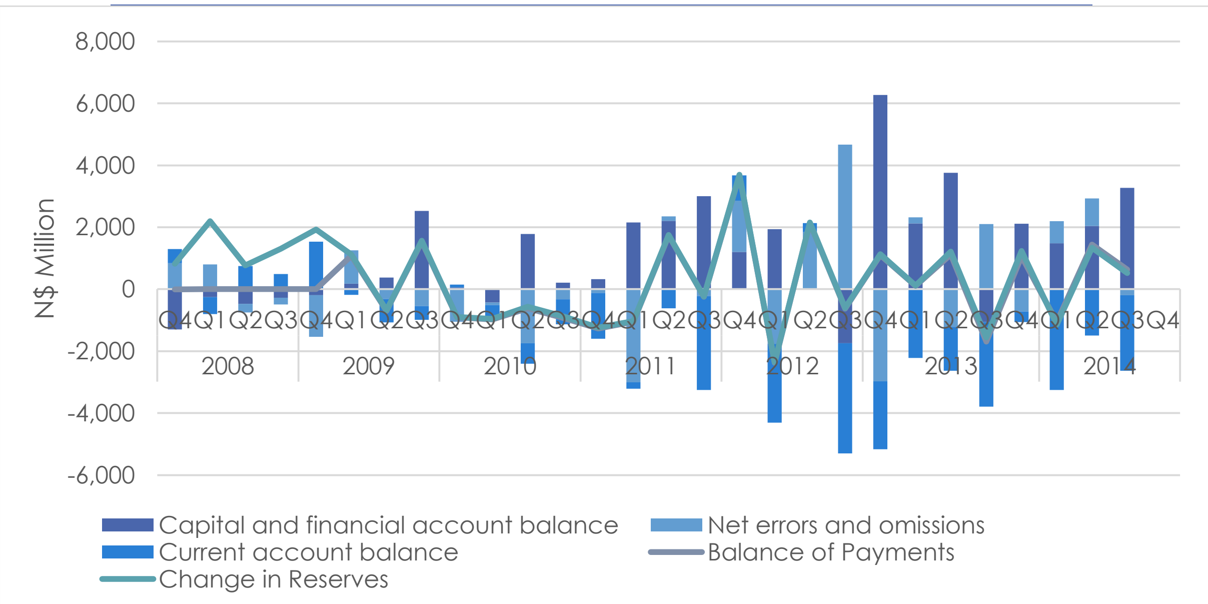
Current account:

Through 2014, Namibia's current account (CA) balance remained in the red, as has been the case for a number of years. By Q3 2014, the CA has surpassed the N$7bn deficit level, primarily on account of the country's merchandise trade balance, which was similarly negative. The reason for the imbalance was multi-fold, driven by major increases in imports for the copious number of sizable construction projects in the country, as well as consumer goods funded through domestic credit extension and exacerbated by a weakening of the rand against major currencies through the year. On the export side, exports continued to expand in nominal terms, largely driven by positive prices for diamonds and rand weakness, however this export growth was notably lower than import growth. While concerning in the short term, the bulk of the import bill through the year was due to the transient needs of the construction sector for the construction of the three new mines and major government projects, which are not only transitory in nature, but are likely to increase exports in the future, and broadly balanced out in the capital and financial account.

Capital and financial account:

As has been the case for many years, the capital and financial account (KFA) played the balancing role for the massive deficit in the current account, receiving sizable inflows in the form of foreign direct investment in Namibia, as well as SACU payments to government. Moreover, major debt issuance by Government resulted in lower-than usual portfolio outflows to the common monetary area (CMA) as available funds were invested in local debt instruments as a priority over CMA instruments. One area, however, where the capital and financial account was not seen to net-off outflows on the current account was with debt issuance by commercial banks, which funds are often used to purchase imported consumer goods from outside of the country, resulting in a net outflow on the balance of payments, and thus a drawdown in international reserves

The Balance of Payments

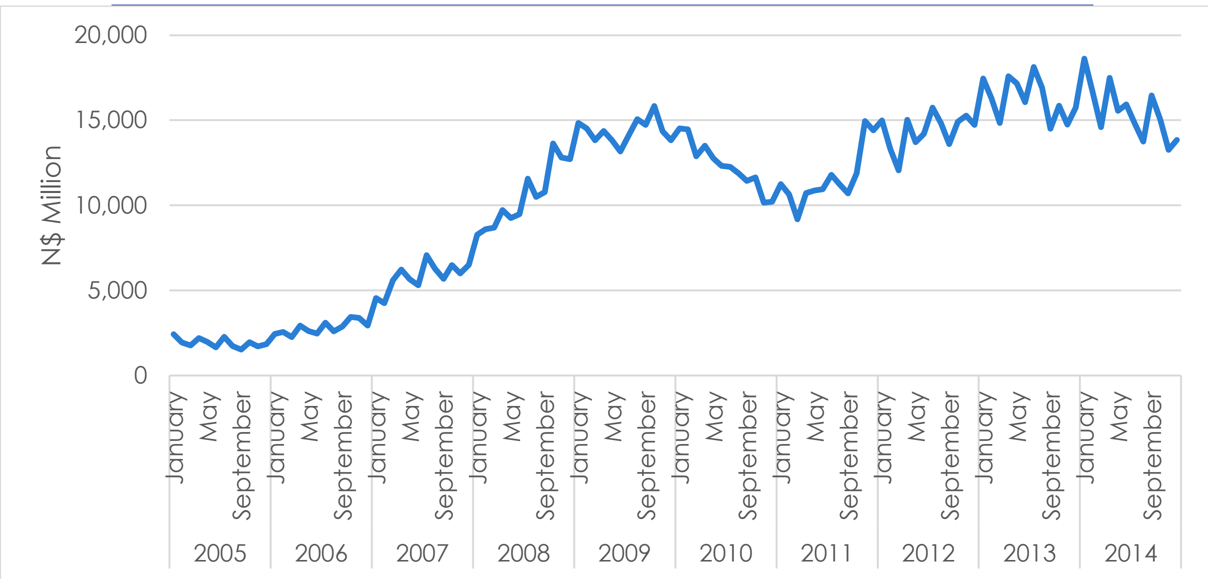


Source: Bank of Namibia

Foreign Reserves

As a result of an overall deficit in the balance of payments, the foreign reserve position of the country deteriorated somewhat through 2014, falling from N$15.7 billion in December 2013 to N$13.8 billion in December 2014. Through the year the country's reserve position looked concerning low on a number of occasions, and well below prudential limits set by the IMF. Additionally concerning is that the country's reserve position, reported in local currency, has been largely supported by the depreciation of the exchange rate, which paints an all too rosy picture of a deteriorating external position. However, these imbalances are expected to be temporary in nature, and once new mines start exporting their product, we should see the current account stabilise and the balance of payments mean-revert to more stable levels.

Foreign Exchange Reserves



Source: Bank of Namibia

Overall balance in 2015

Looking forward, the balance of payments is expected to remain under sizable pressure until 2016, after which major growth in exports, particularly from the new mines, should start to drive a stabilisation process in the trade balance, current account and overall balance of payments. Weakening commodity prices, coupled with the expected stronger rand, and a weak European economy could put exports under pressure in 2015, while imports are expected to remain rampant until the completion of the Husab project. On the capital and financial account side, however, strong FDI flows are expected to continue over the same period, which flows should be further bolstered by SACU receipts (on the CA). Nevertheless, the reserve position of the country stands to weaken further both in Namibia Dollar and hard currency terms, the former on account of continued imbalance in the current account, and the latter due to expected rand (relative) strength following QE in Europe.

Current Account	Actual									Forecast					
Million	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
1. Merchandise trade balance	**(1,688)**	**642**	**(1,209)**	**(5,435)**	**(10,340)**	**(8,187)**	**(8,199)**	**(17,753)**	**(19,281)**	**(27,489)**	**(29,133)**	**(27,096)**	**(23,280)**	**(22,791)**	**(24,808)**
2. Exports fob	13,149	17,949	20,571	26,353	26,274	29,364	31,944	35,835	44,724	49,220	49,110	57,407	67,983	75,773	81,641
Diamonds	5,397	7,334	6,419	6,544	4,558	6,056	6,397	8,250	11,698	14,218	12,668	13,681	14,730	15,025	15,325
Other mineral products	1,749	3,212	5,677	7,753	6,144	6,872	6,725	6,975	7,421	6,870	11,293	16,498	23,802	28,810	31,664
Food and live animals	2,013	2,192	1,991	3,011	3,145	3,615	4,067	3,672	4,386	3,606	3,653	3,802	3,901	4,047	4,177
Manufactured products	3,120	4,970	6,270	7,150	6,234	6,525	7,110	6,564	7,379	8,736	9,828	11,057	12,439	13,993	15,743
Other commodities & Re-exports	868	241	215	1,895	6,193	6,296	7,645	10,373	13,841	15,790	11,669	12,369	13,111	13,897	14,731
3. Imports fob	**(14,837)**	**(17,307)**	**(21,780)**	**(31,789)**	**(36,614)**	**(37,551)**	**(40,143)**	**(53,588)**	**(64,005)**	**(76,709)**	**(78,243)**	**(84,503)**	**(91,263)**	**(98,564)**	**(106,449)**
4. Services (net)	**277**	**664**	**607**	**(354)**	**591**	**(349)**	**(276)**	**3,114**	**105**	**(335)**	**(158)**	**(174)**	**(435)**	**(471)**	**(510)**
Transportation (net)	(686)	(328)	(853)	(973)	(667)	(679)	(781)	(1,354)	(3,015)	(3,038)	(3,038)	(3,251)	(3,722)	(3,982)	(4,261)
Travel (net)	1,526	1,796	2,127	2,180	2,368	2,145	2,250	2,722	2,711	1,760	1,865	1,996	2,135	2,285	2,445
Insurance (net)	(59)	(111)	(146)	(83)	(118)	(197)	(202)	(159)	(118)	(166)	(166)	(177)	(190)	(203)	(217)
Other private services* (net)	(583)	(771)	(598)	(1,554)	(1,068)	(1,694)	(1,620)	1,829	450	1,032	1,100	1,171	1,248	1,329	1,416
Other government services (net)	79	77	77	77	77	77	77	77	77	77	81	87	93	100	107
5. Compensation of employees (net)	**(23)**	**(40)**	**(16)**	**(241)**	**(34)**	**(112)**	**(102)**	**(56)**	**(57)**	**(38)**	**(38)**	**(41)**	**(45)**	**(48)**	**(52)**
6. Investment income (net)	**(772)**	**(407)**	**(1,115)**	**(1,005)**	**(1,296)**	**(3,057)**	**(2,327)**	**(4,445)**	**(1,173)**	**(947)**	**(269)**	**(290)**	**(312)**	**(336)**	**(361)**
Income received	1,356	1,630	1,850	2,366	2,043	1,904	2,135	2,164	2,969	2,867	3,182	3,438	3,714	4,012	4,335
Direct investment	49	6	6	45	2	18	(7)	(78)	16	(95)	(102)	(109)	(117)	(125)	(134)
Portfolio investment	1,033	1,369	1,432	1,673	1,484	1,054	1,449	1,700	2,262	2,110	2,442	2,638	2,849	3,077	3,323
other investment	274	255	412	648	557	831	693	541	691	852	842	909	982	1,061	1,146
Income paid	(2,128)	(2,036)	(2,965)	(3,371)	(3,339)	(4,961)	(4,462)	(6,608)	(4,142)	(3,814)	(3,452)	(3,728)	(4,026)	(4,348)	(4,696)
Direct investment	(1,791)	(1,726)	(2,612)	(2,995)	(2,936)	(4,594)	(4,074)	(5,362)	(3,262)	(3,053)	(2,624)	(2,834)	(3,060)	(3,305)	(3,569)
Portfolio investment	(161)	(168)	(170)	(170)	(170)	(231)	(224)	(256)	(344)	(367)	(374)	(404)	(437)	(472)	(509)
other investment	(176)	(143)	(184)	(206)	(233)	(136)	(164)	(990)	(536)	(394)	(454)	(490)	(529)	(571)	(617)
7. Goods, services and income balance (2 to 6)	**(2,206)**	**859**	**(1,734)**	**(7,036)**	**(11,079)**	**(11,704)**	**(10,904)**	**(19,140)**	**(20,405)**	**(28,810)**	**(29,598)**	**(27,601)**	**(24,071)**	**(23,646)**	**(25,732)**
8. Current transfers in cash and kind (net)	**4,262**	**6,428**	**7,052**	**9,278**	**10,038**	**8,885**	**8,336**	**12,973**	**15,212**	**18,135**	**20,106**	**21,237**	**22,436**	**23,707**	**25,056**
Gov't - current transfers	4,129	6,274	6,921	9,141	9,902	8,770	8,214	12,837	15,050	17,993	19,955	21,075	22,262	23,522	24,858
- development assistance	321	319	269	1,352	1,624	2,229	1,751	1,201	1,221	1,231	1,231	1,231	1,231	1,231	1,231
- from SACU	3,915	6,049	6,752	7,920	8,564	6,861	6,638	12,131	14,494	17,269	19,204	20,356	21,577	22,872	24,244
- withholding taxes	53	67	122	189	168	143	212	174	146	293	317	342	369	399	431
- other transfers received	96	114	117	133	146	147	156	164	164	164	164	164	164	164	164
- transfer debits (mainly SACU)	(255)	(275)	(338)	(453)	(601)	(609)	(542)	(834)	(975)	(964)	(960)	(1,018)	(1,079)	(1,144)	(1,212)
Private - current transfers	133	154	130	137	137	114	122	137	162	142	151	162	173	186	199
- grants received by NGO's	92	115	91	98	98	75	83	97	123	102	110	117	125	134	144
- other transfers (net)	40	39	39	39	39	39	39	39	39	39	42	45	48	51	55
9. Total current account balance (7+8)	**2,055**	**7,286**	**5,317**	**2,243**	**(1,041)**	**(2,820)**	**(2,568)**	**(6,167)**	**(5,193)**	**(10,675)**	**(9,492)**	**(6,364)**	**(1,636)**	**62**	**(676)**

Capital and Financial Account						Actual					Forecast				
Million	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
1.Net capital transfers	**505**	**573**	**586**	**629**	**558**	**808**	**1,353**	**1,218**	**1,246**	**1,422**	**1,310**	**1,400**	**1,496**	**1,599**	**1,710**
Resident official sector	483	550	564	607	536	786	1,330	1,196	1,224	1,400	1,287	1,377	1,474	1,577	1,687
Other sectors	23	22	22	22	22	22	22	22	22	22	22	22	22	22	22
2.Direct investment abroad	**80**	**79**	**(20)**	**(42)**	**24**	**(33)**	**(39)**	**92**	**127**	**567**	**469**	**469**	**469**	**469**	**469**
Equity capital	10	37	(20)	2	2	(21)	(31)	26	59	(4)	(1)	(1)	(1)	(1)	(1)
Reinvested earnings	(13)	7	3	(20)	10	(9)	18	85	25	142	85	85	85	85	85
Other capital	84	36	(3)	(24)	12	(3)	(25)	(18)	43	428	385	385	385	385	385
3.Direct investment in Namibia	**2,450**	**2,618**	**5,164**	**5,950**	**4,288**	**5,806**	**5,925**	**9,527**	**8,234**	**3,686**	**5,299**	**5,670**	**6,066**	**6,491**	**6,945**
Equity capital	1,412	2,948	3,952	2,622	275	66	220	4,145	14,090	781	790	846	905	968	1,036
Reinvested earnings	1,288	1,019	1,318	1,115	1,240	3,256	1,895	3,457	2,238	2,232	1,922	2,057	2,201	2,355	2,520
Other capital	(250)	(1,349)	(106)	2,213	2,774	2,484	3,809	1,925	(8,094)	673	2,586	2,767	2,961	3,168	3,390
Liabilities to direct investors	(239)	244	(468)	2,218	2,723	2,252	2,887	1,636	(7,714)	947	2,770	2,963	3,171	3,393	3,630
Claims on direct investors	(11)	(1,594)	362	(5)	52	232	923	289	(379)	(274)	(183)	(196)	(210)	(225)	(240)
4.Portfolio investment	**(6,640)**	**(7,528)**	**(10,372)**	**(8,427)**	**(7,599)**	**(4,633)**	**204**	**(4,880)**	**(4,751)**	**(5,873)**	**(7,517)**	**(8,042)**	**(8,603)**	**(9,203)**	**(9,845)**
Equity	(4,765)	(5,232)	(8,453)	(6,226)	(4,536)	(2,771)	(2,166)	(1,800)	(2,001)	(2,640)	(2,980)	(3,188)	(3,410)	(3,647)	(3,902)
Assets	(4,797)	(5,264)	(8,485)	(6,258)	(4,567)	(2,802)	(2,197)	(1,832)	(2,124)	(2,614)	(2,965)	(3,172)	(3,395)	(3,632)	(3,886)
Liabilities	32	32	32	32	31	31	31	31	123	(26)	(15)	(15)	(15)	(15)	(15)
Debt	(1,875)	(2,296)	(1,919)	(2,201)	(3,063)	(1,862)	2,370	(3,080)	(2,749)	(3,232)	(4,537)	(4,854)	(5,193)	(5,556)	(5,944)
Assets	(1,889)	(2,313)	(1,931)	(2,211)	(3,076)	(1,873)	(1,570)	(3,972)	(2,790)	(3,235)	(4,525)	(4,842)	(5,181)	(5,543)	(5,931)
Liabilities	14	16	12	10	13	10	3,940	893	40	3	(12)	(12)	(12)	(12)	(12)
5.Other investment - long term	**239**	**1,313**	**(1,223)**	**2,157**	**4,509**	**(149)**	**1,463**	**858**	**4,823**	**8,881**	**6,158**	**6,562**	**6,994**	**7,457**	**7,951**
General Government	53	84	8	8	(99)	128	221	(64)	(14)	(22)	(23)	(23)	(23)	(23)	(23)
Assets	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
Drawings on loans received	199	202	183	196	521	381	413	224	304	335	302	302	302	302	302
Repayments on loans received	(106)	(79)	(135)	(149)	(580)	(213)	(153)	(248)	(279)	(317)	(286)	(286)	(286)	(286)	(286)
Monetary authorities	-	-	-	-	3,089	(497)	275	99	336	171	194	194	194	194	194
Assets	-	-	-	-	80	(132)	(109)	61	(69)	(76)	(71)	(71)	(71)	(71)	(71)
Liabilities	-	-	-	-	3,009	(364)	384	37	404	247	264	264	264	264	264
Banks	322	796	(14)	(21)	(454)	22	13	(2)	(53)	(74)	(115)	(115)	(115)	(115)	(115)
Assets	(21)	7	3	(15)	18	21	13	(2)	(53)	(74)	(115)	(115)	(115)	(115)	(115)
Liabilities	343	789	(17)	(6)	(471)	1	-	-	-	-	-	-	-	-	-
Other sectors	(136)	433	(1,218)	2,171	1,972	197	954	826	4,555	8,806	6,102	6,506	6,938	7,401	7,896
Assets	(149)	101	(5)	28	(125)	(289)	(424)	(198)	(488)	614	369	371	374	378	381
Properties & Others	(129)	113	(21)	21	(105)	(320)	(414)	(209)	(490)	202	39	42	45	48	51
Other Assets	(19)	(12)	16	7	(20)	31	(10)	10	2	412	330	330	330	330	330
Liabilities	13	332	(1,212)	2,142	2,098	485	1,378	1,024	5,042	8,192	5,733	6,134	6,564	7,023	7,515
6.Other investment - short term	**489**	**(4,073)**	**1,213**	**(1,466)**	**(1,381)**	**(541)**	**(890)**	**3,809**	**(2,350)**	**(641)**	**(716)**	**(767)**	**(820)**	**(878)**	**(939)**
General Government - Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets	359	(2,479)	1,284	(129)	(1,510)	119	(259)	2,203	(2,209)	(902)	(1,352)	(1,447)	(1,548)	(1,657)	(1,773)
Liabilities	110	(1,364)	(71)	(37)	-	(480)	(60)	1,511	659	(758)	620	664	710	760	813
Other sectors	20	(230)	(0)	(1,300)	129	(180)	(571)	95	(801)	1,018	16	17	18	19	21
Assets	140	(40)	(342)	(486)	72	332	(100)	180	(87)	420	50	54	58	62	66
Liabilities	(120)	(189)	342	(814)	57	(513)	(471)	(85)	(714)	599	(35)	(37)	(40)	(42)	(45)
7. Capital and financial account balance	**(2,877)**	**(7,018)**	**(4,652)**	**(1,199)**	**400**	**1,257**	**8,016**	**10,624**	**7,330**	**8,043**	**5,001**	**5,291**	**5,602**	**5,935**	**6,291**
8.Net errors and omissions	**835**	**1,306**	**1,854**	**(1,043)**	**1,662**	**(2,232)**	**(1,334)**	**(4,227)**	**(1,539)**	**1,034**	**-**	**-**	**-**	**-**	**-**
BOP Overall Balance	**14**	**1,574**	**2,519**	**1**	**1,022**	**(3,794)**	**4,114**	**231**	**598**	**(1,597)**	**(4,491)**	**(1,073)**	**3,967**	**5,996**	**5,615**
Reserve Balance	**1,851**	**2,939**	**6,500**	**12,713**	**13,828**	**10,208**	**14,406**	**14,729**	**15,736**	**14,139**	**9,647**	**8,575**	**12,541**	**18,538**	**24,153**
Δ Reserves	**(162)**	**1,088**	**3,561**	**6,213**	**1,115**	**(3,620)**	**4,198**	**323**	**1,007**	**(1,597)**	**(4,491)**	**(1,073)**	**3,967**	**5,996**	**5,615**

Managing Director
Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research
Rowland Brown
Tel: +264 (61) 383513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Mony Market & Administration
Leon Maloney
Tel:+264 (61) 383 521
leon@ijg.net

Tashiya Shekutamba
Tel:+264 (61) 383 511
tashiya@ijg.net

Director
Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager
Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct
Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing
Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net