



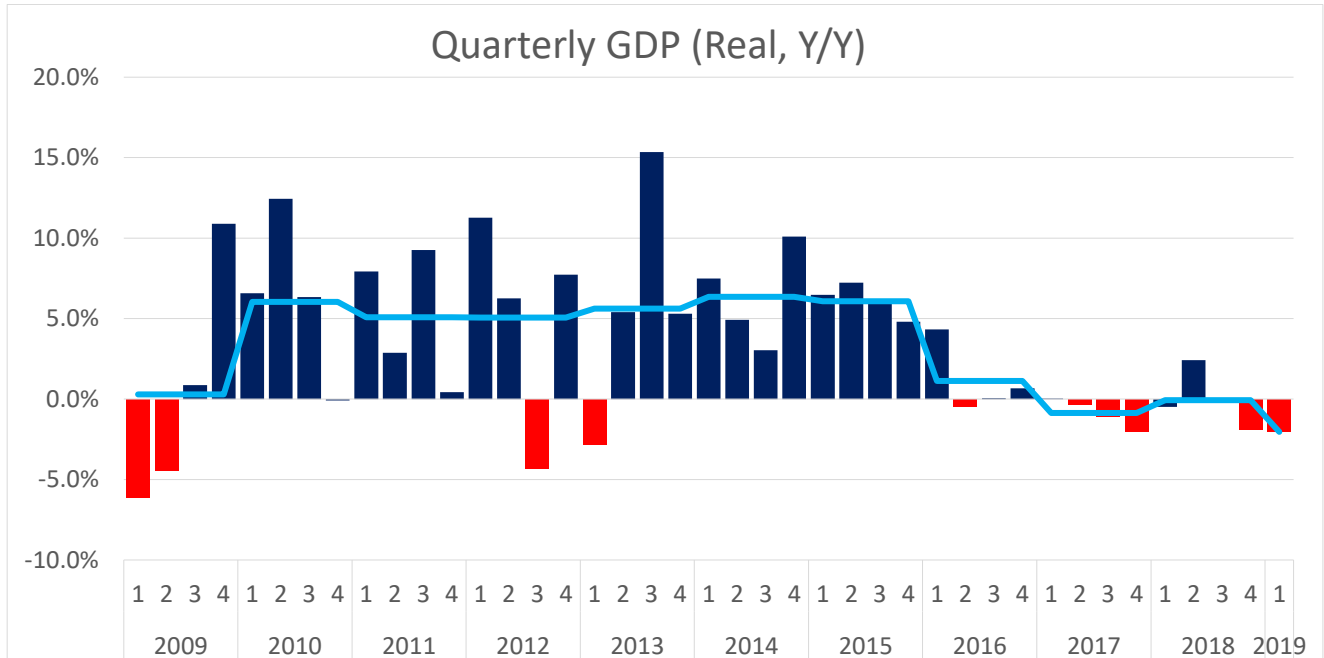
IJG SECURITIES Q1 2019 GDP Update

Research Analysts:

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

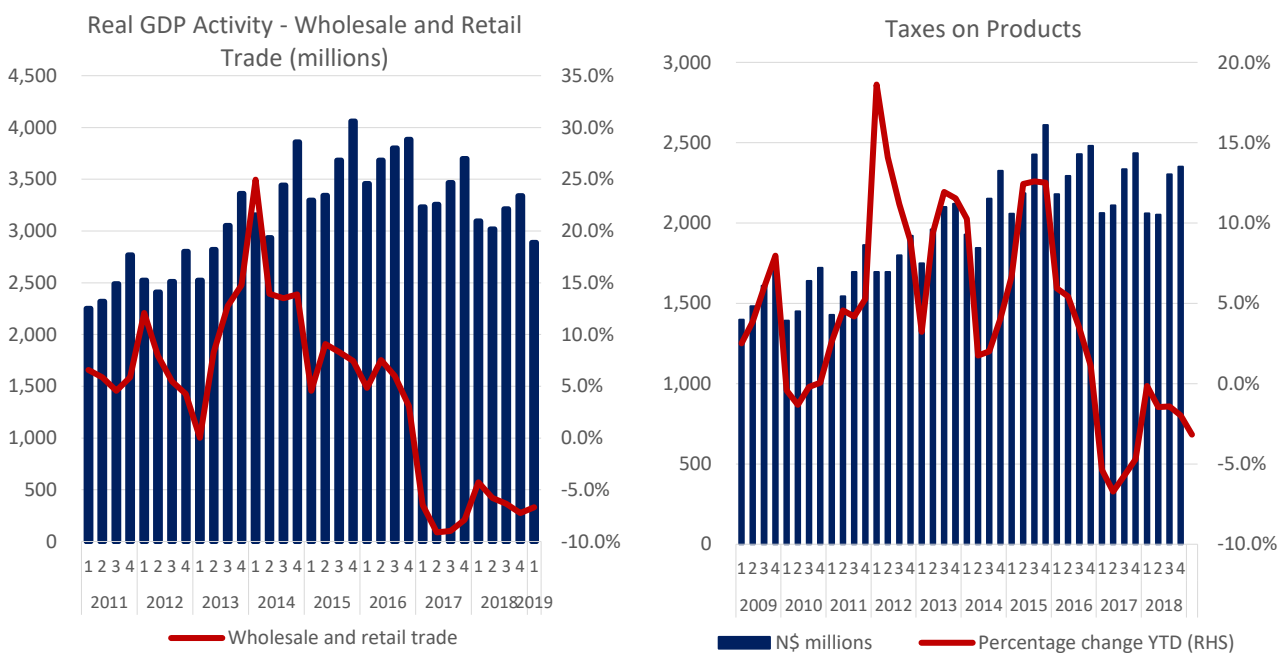
Namibia Q1 GDP Update

The Namibia Statistics Agency released Q1 GDP data earlier today. The release shows Q1 GDP contracted by 2.0% y/y and 0.7% q/q. Data for prior periods was revised as far back as 2014, but not to the extent that material changes in growth rates was recorded as with the preliminary GDP data for 2018. The data shows that Namibia has now experienced 3 consecutive quarters of contraction on a year-on-year basis, and two consecutive quarters of contraction on a quarter-on-quarter basis. Previously we noted that Namibia had experienced ten consecutive quarters of contraction. The revised data now shows that eight of the last twelve quarters have posted contractions on an annual basis, separated by four quarters of very subdued growth as illustrated below.



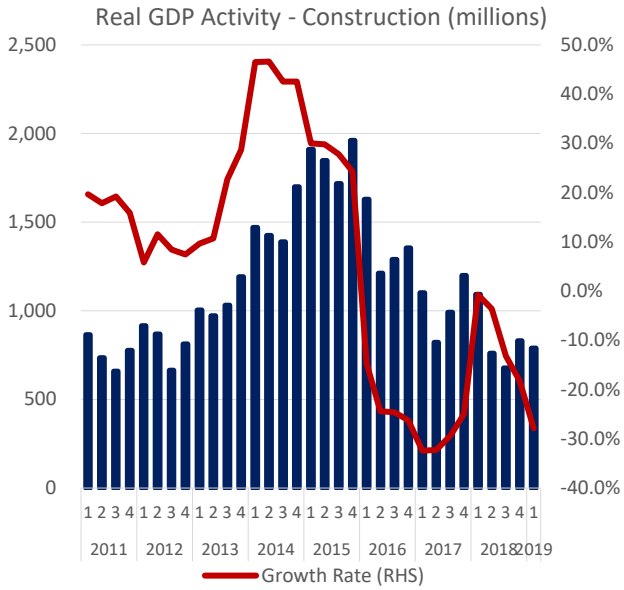
Source: NSA, IJG Securities

The sectors that drove the poor economic performance in the quarter were agriculture, down 6.7% y/y, construction, down 27.8% y/y, and wholesale and retail trade, down 6.7% y/y. The latter figure is extremely concerning as it follows on prior periods of contraction in the sector and shows continued consumer weakness. This is the third year running where Q1 wholesale and retail trade has contracted, and real GDP contributed by the sector is below Q1 2014's level. As can be expected, real GDP contributed by taxes on products also contracted when compared to Q1 2018, as shown below.

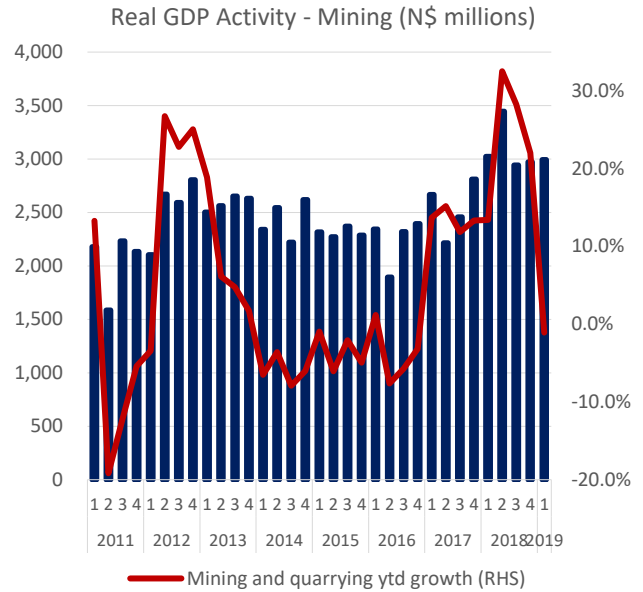


Source: NSA, IJG Securities

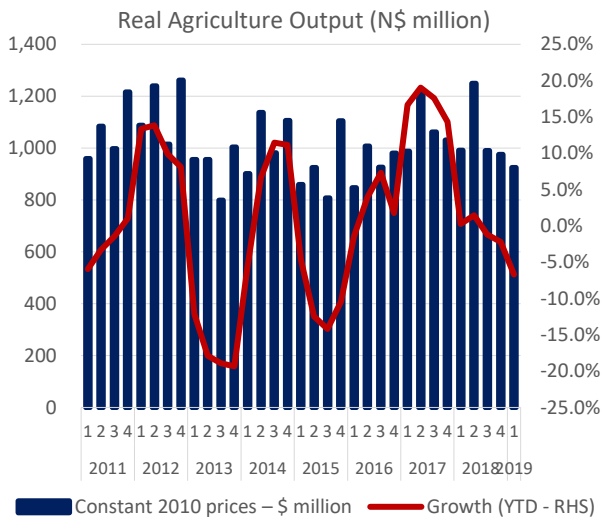
Construction remains under immense pressure, with activity in Q1 2019 less than half of the peak in Q4 2015.



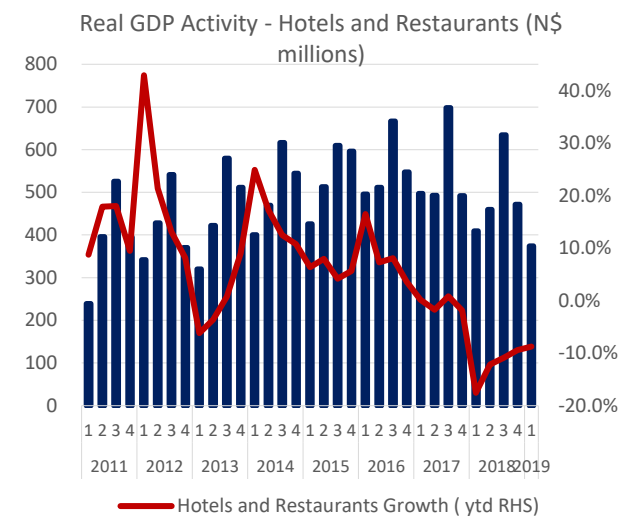
Mining contracted by 1.1% y/y in Q1 2019, although off a comparatively high base. Activity was up q/q.



Agriculture contracted by 6.7% y/y. We expect agriculture to be a drag on the economy for the remainder of 2019 due to drought. This is also likely to result in an increase in unemployment in 2019.



Tourism, as recorded in real GDP contributed by hotels and restaurants, posted a contraction of 8.7% y/y in Q1 2019. Tourism, often seen as the one industry still performing well, has now also come under pressure as local consumers decrease holiday expenditure.



Source: NSA, IJG Securities

Sectors that did post growth include Fishing, Manufacturing, Electricity and Water, Financial Intermediation, Health, and Education. Positive performance in these sectors only served to dampen the extent of the contraction in Q1. The revisions to Q4 2018 data have resulted in a larger year-on-year contraction of 1.9% recorded for that quarter. A notable downward revision in the Q4 2018 data resulted in fishing posting a contraction of 2.6% y/y versus growth of 10.8% y/y in the prior data release. Mining and quarrying however performed better than previously expected, posting growth of 11.1% y/y from 5.7% y/y in the Q4 2018 data. Primary sector data has seen the largest revisions while tertiary sector data is little changed from the prior quarterly GDP release. The below data illustrates the relative performance of the various sectors on a quarterly basis.

Year-to-Date Growth Rates in Real GDP

Year	Quarter	Agriculture	Fishing	Mining and quarrying ytd growth (RHS)	Manufacturing	Electricity and water	Construction	Wholesale and retail trade	Hotels and restaurants	Transport and communication	Financial intermediation	Real estate activities and business services	Public administration	Education	Health	Other private services	FISIM	All indust. at basic prices	Taxes on products	GDP at market prices
2015	1	-4.7%	12.4%	-1.0%	-8.4%	21.1%	30.0%	4.5%	6.4%	8.8%	8.1%	4.4%	11.8%	10.7%	8.1%	9.5%	10.8%	6.5%	6.7%	6.5%
	2	-12.5%	11.1%	-6.1%	-6.5%	18.8%	29.8%	9.1%	7.9%	9.3%	7.2%	4.6%	13.9%	8.4%	13.4%	9.6%	7.1%	6.4%	12.4%	6.9%
	3	-14.2%	5.3%	-2.1%	-5.0%	16.3%	27.8%	8.3%	4.2%	6.9%	5.6%	4.6%	13.9%	4.6%	17.4%	9.2%	4.0%	6.0%	12.6%	6.5%
	4	-10.4%	2.3%	-4.9%	-4.3%	13.6%	24.3%	7.4%	5.6%	6.9%	5.0%	4.4%	14.0%	4.1%	17.5%	8.4%	0.1%	5.5%	12.5%	6.1%
2016	1	-1.4%	3.8%	1.2%	11.5%	1.5%	-14.8%	4.9%	16.5%	8.5%	2.8%	0.3%	7.1%	11.3%	10.2%	2.9%	2.3%	4.2%	5.9%	4.3%
	2	4.0%	5.5%	-7.6%	4.1%	2.1%	-24.4%	7.5%	7.3%	7.8%	2.8%	-0.6%	3.8%	7.4%	13.9%	1.7%	0.9%	1.6%	5.4%	1.9%
	3	7.3%	4.0%	-5.7%	1.8%	2.1%	-24.6%	6.0%	8.1%	7.9%	2.8%	-1.1%	2.3%	6.1%	11.9%	0.8%	0.6%	1.1%	3.5%	1.3%
	4	1.8%	9.1%	-3.2%	5.6%	7.5%	-26.3%	3.1%	3.5%	7.0%	2.8%	-1.4%	4.9%	5.8%	7.2%	0.3%	2.1%	1.1%	1.1%	1.1%
2017	1	16.7%	2.4%	13.7%	4.1%	11.6%	-32.4%	-6.5%	0.2%	-3.8%	4.3%	0.6%	2.3%	2.2%	3.6%	-1.0%	-7.3%	0.5%	-5.4%	0.0%
	2	19.0%	-2.0%	15.2%	6.9%	7.7%	-32.3%	-9.1%	-1.7%	-4.1%	5.6%	1.3%	3.0%	1.9%	0.8%	-1.0%	-3.4%	0.5%	-6.7%	-0.1%
	3	17.6%	1.5%	11.9%	7.2%	4.9%	-29.5%	-9.0%	0.8%	-5.4%	6.1%	1.7%	0.7%	0.1%	0.7%	-1.0%	-0.9%	0.0%	-5.7%	-0.5%
	4	14.3%	1.3%	13.3%	1.9%	-2.5%	-25.0%	-7.9%	-1.9%	-6.5%	5.7%	2.0%	0.3%	0.0%	-0.9%	-1.1%	-0.2%	-0.5%	-4.7%	-0.9%
2018	1	0.3%	-1.3%	13.4%	0.5%	-6.6%	-0.7%	-4.3%	-17.5%	-6.6%	2.6%	2.0%	0.0%	-5.0%	-5.8%	-2.0%	0.5%	-0.5%	-0.2%	-0.5%
	2	1.5%	2.3%	32.5%	-4.2%	4.0%	-3.6%	-5.8%	-12.2%	-6.6%	1.6%	1.7%	0.3%	-4.1%	-4.1%	-2.1%	-0.3%	1.1%	-1.5%	0.9%
	3	-1.2%	1.1%	28.3%	-0.9%	6.9%	-13.2%	-6.3%	-10.9%	-5.8%	1.3%	1.5%	0.7%	-2.8%	-3.8%	-2.1%	-1.5%	0.7%	-1.4%	0.5%
	4	-2.2%	3.0%	22.0%	0.2%	7.5%	-18.3%	-7.2%	-9.4%	-3.2%	1.6%	1.3%	0.4%	-2.9%	-3.1%	-2.1%	0.6%	0.1%	-2.0%	-1.1%
2019	1	-6.7%	1.1%	-1.1%	3.6%	2.7%	-27.8%	-6.7%	-8.7%	-0.5%	1.4%	0.4%	-1.2%	1.3%	2.4%	-1.1%	4.6%	-1.9%	-3.2%	-2.0%

Source: NSA, IIG Securities

The NSA notes that more than half the sectors performed poorly in Q1 2019. Aggregate demand in the economy remains depressed. A positive result of this is that the trade balance has improved markedly. A trade surplus was recorded in Q1 2019 according to the NSA, driven mainly by reduced imports. The economic slump in Namibia has thus relieved some pressure from the reserve position. Relatively strong performance from the mining sector has also aided in maintaining foreign reserves at reasonable levels thus far in 2019. While a more balanced trade account is a positive development, the mechanism by which it was reached, economic recession, points to struggling consumer and not a thriving business environment.

The NSA notes that imports of capital goods have been declining since Q2 2018, a sign of weak business confidence. Much of the high-frequency data available in Namibia, such as vehicle sales and credit extension, have illustrated this for a protracted period of time. We do not expect to see much improvement in economic performance in the remaining quarters of 2019 as the country riles from drought once again. This is likely to lead a further increase in unemployment in an environment where GDP per capita has been declining for successive years.

We believe that government has run out of tools with which to stimulate economic growth as highlighted by the proposed 2% voluntary tax. Indeed, the proposal of the 2% tax has come as a surprise, implying that government feels uncomfortable with the level of public debt. We reach this conclusion because raising the targeted amount in the capital markets would be vastly less politically harmful than proposing to increase taxes on citizens who have been struggling through recession for almost three years now, and as such we would expect tax increases to be a last resort.

We maintain that government has one lever left with which to stimulate the economy, and that is policy. The policy environment has weighed on business even as demand receded. While the desired outcomes of the proposed investment and empowerment legislation are commendable, the methods by which the legislation aims to achieve these outcomes has resulted in further barriers to starting and carrying out business in Namibia. Further to this, the uncertainty regarding the impending policies and the form they take has also weighed on investor confidence. In order to return the Namibian economy to growth we feel that policy clarity and structural reforms that result in an improvement in the ease of doing business in Namibia are the only levers left for government to pull at present. The rest is up to the private sector.



IJG Holdings

Group Chairman
Mathews Hamutenya
Tel: +264 (61) 256 699

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

Group Financial Manager
Helena Shikongo
Tel: +264 (61) 383 528
helena@ijg.net

IJG Securities

Managing Director
Lyndon Sauls
Tel: +264 (61) 383 514
lyndon@ijg.net

Equity & Fixed Income Dealing
Leon Maloney
Tel: +264 (61) 383 512
leon@ijg.net

Sales and Research
Eric van Zyl
Tel: +264 (61) 383 530
eric@ijg.net

Danie van Wyk
Tel: +264 (61) 383 534
danie@ijg.net

Settlements & Administration
Annetjie Diergaardt
Tel: +264 (61) 383 515
anne@ijg.net

Financial Accountant
Tashiya Josua
Tel: +264 (61) 383 511
tashiya@ijg.net

Dylan van Wyk
Tel: +264 (61) 383 500
dylan@ijg.net

IJG Wealth Management

Managing Director
René Olivier
Tel: +264 (61) 383 522
rene@ijg.net

Portfolio Manager
Ross Rudd
Tel: +264 (61) 383 523
ross@ijg.net

Money Market & Administration
Emilia Uupindi
Tel: +264 (61) 383 513
emilia@ijg.net

Wealth Manager
Andri Ntema
Tel: +264 (61) 383 533
andri@ijg.net

Wealth Administration
Lorein Kazombaruru
Tel: +264 (61) 383 521
Lorein@ijg.net

IJG Capital

Managing Director
Herbert Maier
Tel: +264 (61) 383 522
herbert@ijg.net

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

Business Analyst
Mirko Maier
Tel: +264 (61) 383 500
mirko@ijg.net

Business Analyst
Lavinia Thomas
Tel: +264 (61) 383 500
lavinia@ijg.net

IJG Advisory

Director
Jolyon Irwin
Tel: +264 (61) 383 500
jolyon@ijg.net

Business Analyst
Jason Hailonga
Tel: +264 (61) 383 529
jason@ijg.net

No representation is given about, and no responsibility is accepted, for the accuracy or completeness of this document. Any views reflect the current views of IJG Securities (Pty) Ltd. The views reflected herein may change without notice. IJG Securities (Pty) Ltd provides this document to you for information purposes only and should not be constructed as and shall not form part of an offer or solicitation to buy or sell securities or derivatives. It may not be reproduced, distributed or published by any recipient for any purposes.

Talk to **IJG** today ...
and let us make your money work for you

4th Floor, 1@Steps, C/O Grove and Chasie Street, Kleine Kuppe, Windhoek
P O Box 186, Windhoek, Namibia
Tel: +264 (61) 383 500 www.ijg.net

STOCKBROKING | PRIVATE EQUITY | WEALTH MANAGEMENT | ADVISORY

