Namibia Trade Statistics
February 2024

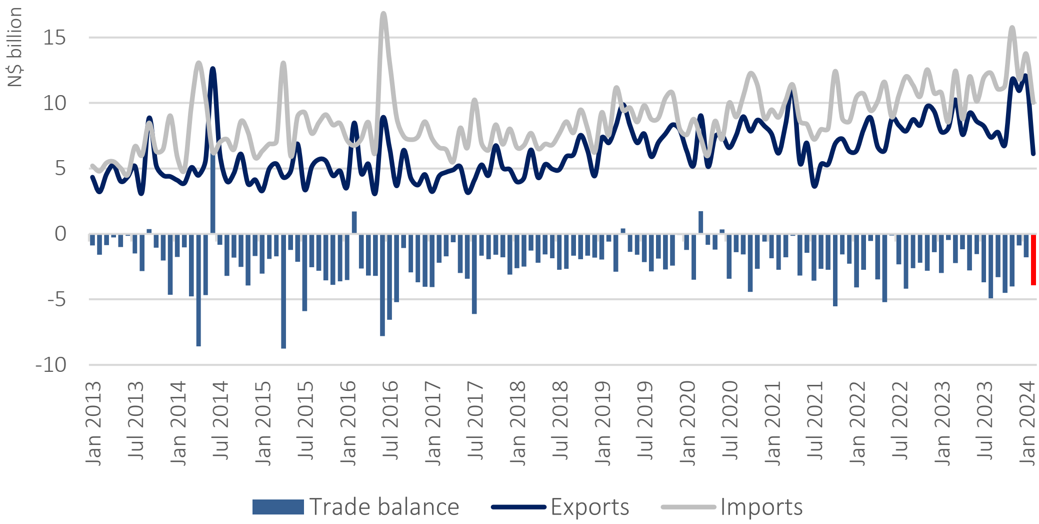
Overview

Category	Feb-24	Jan-24	Feb-23	m/m	y/y
Exports (N$ m)	6,119	11,964	8,096	-48.9%	-24.4%
Imports (N$ m)	10,033	13,752	8,549	-27.0%	17.4%
Trade Balance (N$ m)	**(3,914)**	**(1,787)**	**(452)**	**119.0%**	**765.3%**
Exports Weight (t)	293,406	302,404	284,099	-3.0%	3.3%
Imports Weight (t)	363,605	476,132	299,408	-23.6%	21.4%

Source: Namibia Statistics Agency, IJG Securities

Namibia's trade deficit widened substantially by 119.0% m/m and 765.3% y/y in February after narrowing for 2 consecutive months on an annual basis. The trade deficit widened from N$452.3m in February 2023 and N$1.8b in January 2024 to N$3.9b in February 2024. This widened deficit was propelled by the 24.4% y/y decrease in the export bill offsetting the 17.4% y/y growth of the import bill.

Trade Balance



Source: Namibia Statistics Agency, IJG Securities

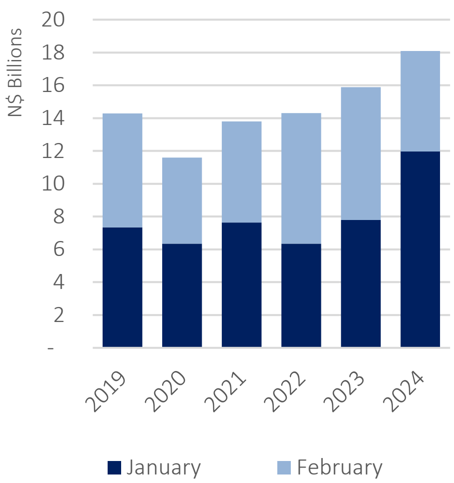
Year-to-date (YTD), both export earnings and the import bill have exceeded that of the past 5 years. Export earnings are 13.8% higher YTD compared to the same period in 2023. Similarly, the import bill is 23.1% higher YTD than the same period in 2023.

Uranium exports accounts for 20.9% of earnings YTD, 50.2% higher than uranium export earnings over the same period in 2023. Similarly, fish exports (↑ 9.5%) accounts for 14.6% of export earnings, and gold exports (↑ 19.4%) represent 13.1% of export earnings YTD. By contrast, diamond export earnings have declined by 23.4%, decreasing its share in the total earnings from 15.3% by February 2023 to 10.3% by February 2024.

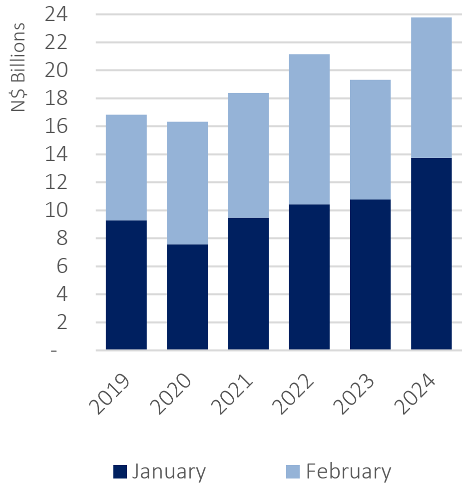
Indeed, mining products make up the bulk of Namibia's exports, with lower diamond sales (↓ 84.2% y/y) also reflecting in the liquidity data. Commercial banks' overall liquidity increased by N$1.24bn in February to an average of N$5.16bn, compared to N$6.24bn in January, which the Bank of Namibia ascribed in part to a decline in diamond sales. According to market participants, lower diamond sales are due to weaker global economic demanding less luxury goods, the increase in popularity of synthetic diamonds.

However, the higher export earnings and import bill YTD are also caused by higher prices. These higher prices are a result of inflationary pressures caused by supply chain disruptions and/or a weaker rand.

YTD Exports (N$ Billions)



YTD Imports (N$ Billions)

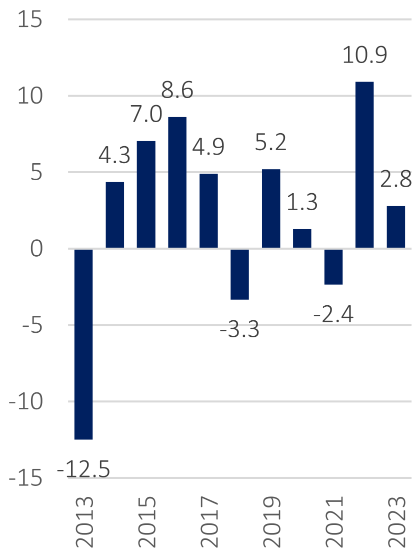


Source: Namibia Statistics Agency, IJG Securities

Namibia's terms of trade increased by 2.8% in 2023, compared to the 10.9% increase in 2022. Export prices have increased at a faster pace (4.6%) than import prices (1.7%) in 2023. The rand has depreciated by 8.0% in 2023.

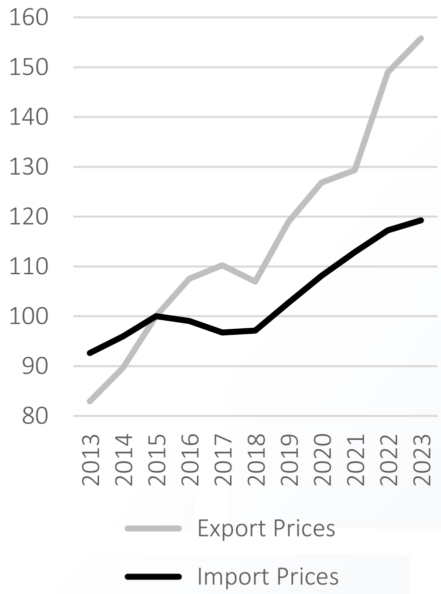
The rand averaged 19.02 against the US dollar in February, compared to 18.81 in January. Although a weaker rand artificially increases Namibia's imports, it increases the country's export earnings of contracts that are priced in US dollars.

Terms of Trade (y/y %)



Source: Namibia Statistics Agency, IJG Securities

Export and Import Price Indices (base=2015)



Source: Namibia Statistics Agency, IJG Securities

Global

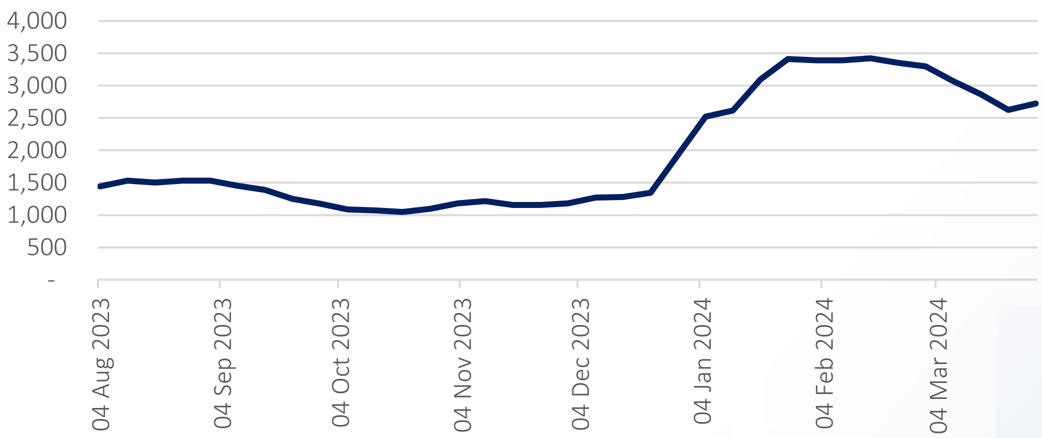
Global trade via seas is becoming increasing more tense, according to Goldman Sachs Global Investment Research. Reuters reported that the Houthi rebels have attacked over 40 commercial ships since the outbreak of the war in Gaza, while undersea cables distributing internet connectivity and global telecommunications were recently cut. At the same time, the Panama Canal has been suffering with low water levels while Russia has built up naval bases in the Artic as the melting ice caps open a new sea route.

According to the Hong Kong telecom company, HGC Global Communications, cables that belonging to four major telecoms networks have been cut causing 25% of internet traffic between Asia, Middle East and Europe to be disrupted. Maritime risk has reached a peak according to their research, placing the security of trade routes and undersea infrastructure under threat. Never in modern history has two powerful countries – US and China –been both intimately linked by sea-based trade and at such a high risk of engaging in a naval war.

However, the disruption in Red Sea transit, as well as the drought-related shipping disruptions in the Panama Canal, are not having a major effect on maritime/global commerce as they are occurring against a backdrop of relatively soft demand and ample shipping capacity—in sharp contrast to the shipping disruptions caused by the Ever Given blockage of the Suez Canal during the pandemic, when fleet capacity could not ramp up quickly enough to meet high demand. That said, rerouting container ships around Africa is adding significant time and cost to maritime transit, with Asia-Europe voyage times 30-40% longer and end-to-end interland transport costs are 10-20% higher, as China to Europe Sea freight rates have soared over 200%.

GS transport analyst Patrick Creuset argues that the surge in freight stocks following the initial spike in freight rates will likely prove short-lived, especially as substantial new vessel capacity enters the container shipping market this year. However, he expects air freight-exposed companies to benefit as the more challenging maritime environment leads some trade to shift from sea to air. Although the Global Container Freight Index rose 153.4% m/m in January, it fell by 1.7% m/m in February and 18.7% m/m in March.

Global Container Freight Index
(N$ billion)



Source: Namibia Statistics Agency, IJG Securities

Africa's port inefficiencies are obstructing their opportunity to take advantage of the current global situation. The number of vessels sailing around the southern tip of Africa is up 85% since the first half of December, according to Clarksons Research. Some of the biggest beneficiaries are ports in South Africa, Madagascar, Mauritius and Namibia, manufacturing and logistics company Fictiv said. "However, most ports in Africa are inefficient and not in the best condition to be able to fully realise all the benefits," Fictiv's Vinny Licata said.

Outlook

Looking ahead, although February's deficit widened, we expect both imports and exports to increase due to the already higher YTD figures of 2024, but uncertainty exists in the short-term due to weak global demand for diamonds and other minerals and the financial constraints of local individuals forcing businesses to decrease their stock inventory. The direction of the trade deficit will depend on the pace at which the import bill outpaces export earnings.

The conflict between the Houthi's and Israel is at risk of escalating, which should be positive for activity at Namibian ports given that trade routes are redirected around Africa. Namibia has been identified as one of the African countries that will benefit most by this given that the port remains efficient. This, regardless of the weakening rand, will increase trade activity via Walvis Bay Port and Lüderitz Bay Port.

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