REPUBLIC OF NAMIBIA

MACROECONOMIC FRAMEWORK FOR 2009/10-2011/12 MTEF

Windhoek

March 2009

Contents

FOREWORD

This year's macroeconomic framework has been prepared against the background of a global economic crisis. After having expanded at record growth rates during the last decade, the world economy started to show signs of weakness during the last half of 2007 with the fall out of the sub-prime financial market crisis in the United States of America. Initially it was thought that the sub-prime crisis would be localised to the US economy, with little spill over effects on the global economy. This belief was supported by strong growth in most emerging markets and developing economies, which in turn supported firm commodity prices, including food and crude oil prices. While strong commodity prices had a favourable impact on Namibia's balance of payments, high international food and crude oil prices led to an increased build up of domestic inflationary pressures, with the annual rate of inflation reaching a peak of 12.0 percent in August 2008, resulting in annual average rate of 10.3 percent in 2008.

By the middle of 2008, it became increasingly clear that the so called "decoupling theory" might not hold, as the impact of the financial markets crisis continued to spread, and growth in emerging market economies started to moderate. The International Monetary Fund has revised its forecast for global growth downward several times during the course of last year. For instance in the World Economic Outlook of April last year, it projected global output growth of 3.8 percent for 2009; however in its latest update released in January, output growth is estimated at just half a percent. Commodity prices also started to moderate, and while lower international crude oil and food prices presented a welcome breather for imported inflationary pressures, it is also expected that it will have a negative impact on the external current account balance through reduced export receipts from Namibia's primary commodities. Overall it is expected that Namibia's growth performance will moderate in the current financial year. It is, however, expected to pick up in the medium term, averaging at 2.5 percent over the period 2010-2012. Clearly this will not be sufficient to fully address key developmental challenges, including poverty reduction and increased employment. Namibia's economic growth in the recent past has not generated a commensurate growth in new jobs owing to the capital intensive nature of mining projects, which account for most of this growth. Efforts aimed at addressing the structural transformation of the Namibian economy will have to be intensified.

Many years of fiscal consolidation have started to pay off. Fiscal consolidation was not easy, nor was it popular, but it was the right thing to do. Our total public debt in relation to GDP has declined to below 20 percent of GDP, far below our benchmark of 25 percent of GDP. This puts us in a position to better weather the impact of the global economic crisis. In this connection, growth in 2008 was largely driven by increased Government investment. In this connection, Namibia's fiscal policy can be described as counter-cyclical, enabling the country to better weather the storms of a hostile global environment. Going forward, however, it will be important to continue with a prudent fiscal policy stance, as there are a number of serving challenges for fiscal policy coming from the revenue side. Revenue reductions are likely to come as a result of moderate economic growth, but also increased trade liberalisation in the context of Economic Partnership Agreement (EPA) and SADC trade regime. While it will be important to enhance efforts at widening and deepening the tax base, it will equally be important to keep a closer eye on expenditure patterns especially as regards non-essential expenditures. Fiscal policy will continue supportive of socio-economic development.

Saara Kuugongelwa-Amadhila

Minister of Finance

A. EXECUTIVE SUMMARY

The Macroeconomic Framework reviews recent economic developments and provides an outlook for the domestic, regional and world economies upon which recommendations for the future course of fiscal policy are made. The ultimate objective of the macroeconomic framework is to guide policy makers in their pursuit of macroeconomic objectives.

Supported by prudent fiscal and monetary policy, the Namibian economy continued to enjoy macroeconomic stability during the period 2005 to 2008. Despite the current global economic turmoil, the Namibian economy is estimated to have expanded by 2.4 percent in 2008. On average, the economy is estimated to have expanded by 4.0 percent annually during the period 2005-2008. Moreover, the external balance of payments recorded healthy surpluses, while the fiscal balance moved from a deficit of 0.2 percent of GDP in 2005/06 to a fiscal surplus of 4.7 percent of GDP in 2007/08. Volatility in energy prices and inflationary pressures were also relatively contained during the period 2005/06 to 2007/08, although they increased to double digit figures during the second half of 2008. Economic stability and sound fiscal policy have contributed to high economic growth especially during 2006. However, unemployment continues to be unacceptably high.

Namibian economic growth increased from 2.5 percent in 2005 to 7.1 percent in 2006 before it moderated at 4.1 percent in 2007. Preliminary indicators put economic growth at 2.4 percent for 2008. In addition to the unfavourable global developments that negatively impacted on the export-oriented industries, this slowdown is also attributed to the weak output in the primary industry and deceleration in consumption. Real growth in investment declined to 4.2 percent in 2007 from 32.8 percent in 2006. However, the outlook in the medium term seems to hold some promise. Overall consumption growth is projected at around 9.6 percent with government consumption expected to grow above 26 percent as per MTEF 2008/09-2010/11.

During 2005-2007, the annual rate of inflation averaged 4.7 percent, underpinned by prudent fiscal and monetary policies and a favourable external environment. However, inflation accelerated progressively in 2006 and 2007 mainly due to high and persistent increases in international crude oil, food prices and a weaker domestic currency resulting in annual average rates of 5.1 percent and 6.7 percent, respectively. To contain prices and prevent second round effects of oil price inflation, the Bank of Namibia significantly tightened monetary conditions by increasing its bank rate by 350 basis points during 2006 and 2007. Inflation had hit a high of 12.0 percent in August 2008 and annual average rate of 10.3 percent in 2008. In 2008, there was no further monetary tightening. In fact during December 2008 and February 2009, the Bank of Namibia reduced its repo rate by 50 and 100 basis points respectively, due to the fact that domestic demand conditions have reacted positively to previous monetary tightening, suggesting that the medium-term outlook for inflation has improved. Nevertheless, inflationary pressures from a depreciating currency remain a major risk to the price outlook.

The year 2008, experienced the closure of five copper mines and retrenchments in the mining industry, due to the low commodity prices and weakened demand as a result of the ongoing global financial crisis. This will have a negative impact on tax revenue outturn. The tax components that might be most affected are income tax on individuals, company tax and domestic taxes on goods and services. In addition, tax receipts from international trade might also decline significantly due to increased trade liberalisation in the regional context. Reduced tax collection may have implications for setting and prioritising expenditure levels for the medium term.

Looking ahead, the economy is expected to slow down to 1.1 percent in 2009. On average it is expected to pick up, growing by 2.5 percent during the period 2010 – 2012. This will result in an average growth rate of 2.2 percent during the 2009/10—2011/12 MTEF period. Clearly this is not sufficient to meet the goals of NDP3 and Vision 2030. During this period, growth will be driven by both private and government investment. New investments are expected in the mining, water and electricity as well as in construction sectors. Imports are expected to be high as a response to slightly higher demand in consumption and investment.

Notwithstanding the relatively favourable performance of the Namibian economy, there are a number of challenges that need to be addressed in order to put the economy on higher sustainable growth trajectory. These challenges are mainly structural in nature and have been identified in government plans, including Vision 2030. In this connection, key focus areas of the next MTEF would continue to be aimed at addressing high unemployment, supply side constraints to take full advantage of the opportunities of trade liberalisation, challenges emanating from the HIV/AIDS pandemic, further diversification of the Namibian economy and possible reductions in revenue arising from, among others, increased trade liberalisation. In view of these challenges and likely economic conditions for the 2009/10-2011/12 MTEF, it is recommended that the government should continue prioritising expenditure, including capping unnecessary expenditure, and strengthen revenue collection, for example through widening and deepening the tax base and strengthened collection measures.

B. REVIEW OF ECONOMIC DEVELOPMENTS

I. GLOBAL ECONOMIC DEVELOPMENTS[1]

1. The **global economic output** is estimated to have decelerated to 3.4 percent in 2008, from 5.2 percent recorded in 2007. It is expected to decelerate further to 0.5 percent in 2009. The subprime mortgage turmoil in the US has developed into a global economic and financial crisis and has started to shift the global economy into a recession. Insistent monetary policy action in the US and enormous liquidity injections by the central banks of the major developed countries were unable to avert this crisis.

2. In the **United States (US),** the economy is expected to contract by 1.6 percent in 2009, a further decline from the forecast of -1.1 percent in 2008. This figure is lower than the 2.0 percent growth experienced in 2007.

3. In the **Euro Area** growth projections are 1.0 and -2.0 percent for 2008 and 2009 respectively, a deceleration from 2.6 percent growth observed in 2007. Export growth is expected to be affected by the slowdown in the world economy. Additionally, export market shares are projected to decline owing to increased competition from emerging markets and to losses in price competitiveness. The outlook for economic growth is further surrounded by downside risks. These include the financial market turmoil which could have more adverse effects on the real economy, intensified inflationary pressures and persistent global imbalances.

4. In **Japan,** growth is projected at -0.3 and -2.6 percent for 2008 and 2009 respectively, down from 2.4 percent in 2007. Growth in net exports is expected to decline due to weakened demand especially from the US.

---

[1] Based on the IMF World Economic Outlook January 2009 and November 2008 Update

Table 1: Real GDP Growth in Selected Economies

REGION/COUNTRIES	2006	2007	2008	2009	2010
	Actual		Projections		
World Output	5.1	5.2	3.4	0.5	3
Developing Asia	9.8	10.6	7.8	5.5	6.9
Sub-Saharan Africa	6.6	6.9	5.4	3.5	5
United States	2.8	2	1.1	-1.6	1.6
Euro Area	2.8	2.6	1	-2	0.2
UK	2.8	3	0.7	-2.8	0.2
Japan	2.4	2.4	-0.3	-2.6	0.6
Angola	18.6	21.1	16	12.8	n/a
Brazil	3.8	5.7	5.8	1.8	3.5
China	11.6	13	9	6.7	8
India	9.8	9.3	7.3	5.1	6.5
Russia	7.4	8.1	6.2	-0.7	1.3
South Africa	5.4	5.1	3.1	1.2	n/a

Source: IMF World Economic Outlook (WEO), January 2009 and November 2008 Update

5. In **Developing Asia** growth is expected to decelerate, but remain robust at 7.8 and 5.5 percent for 2008 and 2009; respectively, compared to 10.6 percent in 2007. Growth prospects remain dependent on how resilient the region's financial systems and economies are, relative to the ongoing financial market turbulence and the associated slowdown in the advanced economies. The risks to the forecasts are on the downside, including the tighter external financing and disruptive spillovers to domestic markets which could lead to a sharp credit squeeze and a slower growth.

6. Growth in **China** is projected to moderate to 9.0 percent and 6.7 percent in 2008 and 2009 respectively from 13.0 percent recorded in 2007. Weaker global demand has hit the export industries the hardest resulting in major job losses. China is heavily dependent on external demand and investment for economic growth. It is expected that the stimulus plan to shield it from the global downturn will boost domestic demand and help sustain growth and employment.

7. **Russia** is projected to contract by 0.7 percent in 2009, a decline from the forecasted 6.2 percent growth of 2008. The growth forecasts takes into account the rapidly decelerating global economy, falling oil prices and tightening credit conditions in the domestic banking sector. The country is still highly dependent on oil and gas revenues. The main challenge for Russia is to diversify the economy. Oil prices have drastically fallen from their highs as the economic downturn eats into the global consumption. As with most-emerging economies, inflation also poses a downside risk to growth.

8. **India's** economy is expected to decelerate to a growth rate of 7.3 and 5.1 percent in

2008 and 2009 respectively, compared to 9.3 percent in 2007. It is expected that the global turmoil will exert more pressure on the economy. Downside risks include decreased trade, a sharp outflow of capital and a fall in share and asset prices due to the global crisis. The forecast growth for **South America** is 4.6 percent for 2008 and 3.1 percent for 2009. Growth accelerated markedly in **Brazil** which is expected to grow by 5.8 and 1.8 percent in 2008 and 2009 respectively, amid strong employment and sustained declines in real interest rates. Domestic demand has been the main driver of growth in the region.

9. Economic growth in **Sub-Saharan Africa (SSA)** during 2008 and 2009 is projected to slow modestly from the pace recorded in 2007 (6.9 percent). The region is projected to grow at 5.4 percent and 3.5 percent during 2008 and 2009 respectively. The fall is mainly due to the global food and fuel price shocks, which have weighed particularly on the growth of oil-importing countries; and to the global financial market turmoil, which has slowed global growth and demand for Africa's exports. There are significant risks to the outlook related to a potentially deeper and longer period of global financial turmoil and resulting slowdown in global activity, and substantial uncertainty concerning commodity prices.

10. In **South Africa,** output is estimated at 3.1 percent and 1.2 percent for 2008 and 2009 respectively, compared to 5.1 percent recorded in 2007. This is attributed to softer domestic demand, the dramatic deterioration in global growth prospects, combined with the plunge in the prices of key exports. Sharp declines in manufacturing, retail and mining contributed to the sharp growth slowdown in South Africa. On the positive side, agricultural output and the construction sector grew. The construction sector has been boosted by spending related to the 2010 FIFA World Cup. Although the economy is expected to ride out the storm, risks are tilted to the downside. Decreasing export demand, financial volatility, exchange rate fluctuations and uncertain economic conditions in the future would have an affect on South Africa's economy.

11. The global outlook for 2009 is gloomier than 2008; this is more pronounced in the major developed economies, most notably; the US, the Euro area, Japan and the United Kingdom. These economies happen to be among the major trading partners of Namibia, and this could mean further slowdown in the demand for the Namibian exports.

II. DOMESTIC ECONOMIC REVIEW

Real Sector Developments

12. The Namibian economic growth slowed down from 7.1 percent in 2006 to 4.1 percent in 2007. The deceleration in growth is mainly due to the global slowdown that had a major negative impact on export oriented industries, and weak output in the primary industry. High commodity prices on the international market could not offset contractions in output from these subsectors. This improvement in commodity prices has tapered off due to weakening global demand resulting from the US sub-prime housing crisis, global inflationary pressures and financial market turbulence (Table 2.).

13. Macroeconomic fundamentals in 2007 remained stable, anchored on fiscal prudence and sound monetary policy. Better-than-expected revenue has resulted in budget surpluses for the last two fiscal years. Consequently public debt has fallen below the target of 25 percent of the GDP. Aggregate investment and export growth have decelerated, while the Balance of Payments (BOP) recorded the highest surplus of more than N$4 billion in 2007, compared to N$ 1.1 billion in 2006. Prudent macroeconomic policies in the context of sluggish global growth and better commodity prices sustained positive growth in the domestic economy. However, the challenges of diversifying the economy, persistent poverty, high income inequality and unemployment still remain.

Table 2. Annual percentage change (at constant, 2004 prices) in Gross Domestic Product by activity

INDUSTRY	2005	2006	2007	2005-2007
Primary Industries	-3.1	12.8	-0.9	3.0
Secondary Industries	8.8	9.1	5.0	7.6
Tertiary industries	2.1	5.4	5.4	4.3
GDP Growth	2.5	7.1	4.1	4.6

Source: 2007 National Accounts

14. **Primary Industries** recorded an average growth rate of 3.0 percent during the last three years. The highest growth during this period was recorded in 2006 at 12.8 percent. But growth declined to -0.9 percent in 2007. This decline was mainly due to contraction in diamond output which shrank to -3.1 percent in 2007 and a deterioration in fishing and at-sea fish processing from -8.8 percent in 2006 to -17.5 percent in 2007. The fall in diamond output is attributed to depletion of the onshore diamonds reserves. This contraction could unfortunately not be offset by improvements in the other mining output, strong world demand and better prices for minerals including uranium, gold, silver, lead and zinc. Unfavourable oceanic conditions, high oil prices and fish stock concerns impacted negatively on fishing and fish processing onboard. The agriculture industry increased to 6.5 percent in 2007 from 3.8 percent recorded during 2006 owing to a mix

of improvements in crop production and livestock restocking which reduced livestock marketing.

15. The average growth rate of **secondary industries** over the last three years stood at 7.6 percent with the all-time highest annual growth rate of 9.1 percent recorded in 2006 and 8.8 percent recorded in 2005. The key driver was the construction sector which grew on average by 14.7 percent during 2005-2007 and by 43.0 percent in 2006. The positive performance experienced in the construction industry was attributed to high investment in large projects for transport and communication network expansion and improvements, mining infrastructure and the construction of the New State House. Manufacturing sector also contributed positively to the growth, averaging at 5.8 percent during the three year period with the highest growth of 7.5 and 7.2 percent recorded in 2005 and 2007, respectively. These were attributed to the increases in processing of base metals and onshore fish processing, supported by improvements in the small pelagic fishery for pilchard and onshore reprocessing of sea-frozen white fish.

16. **Tertiary industries** registered an average growth rate of 4.3 percent during 2005-2007. However, output growth of this sector increased from 2.1 percent in 2005 to 5.4 percent in 2007. Mainly responsible for the increase was the improved performances in transport and storage, wholesale and retail trade, repairs, hotels and restaurants, financial intermediation as well as other business services.

Demand Indicators

17. Total **consumption expenditure** recorded an average growth of 6.4 percent between 2005 and 2007. This expenditure recorded an increase of about 7.6 percent in 2006 from -0.9 percent in 2005, to 12.7 percent in 2007. The development of consumption for 2006 and 2007 is explained by the development of inflation that whirled up in 2006 and 2007.

18. Total consumption expenditure comprised 80.4 percent of the GDP in 2007 compared to 74.4 percent in 2006. The adverse effect of inflation is also reflected by domestic credit development which grew to 12.7 percent in 2007, up from 7.6 percent in 2006. Another effect on consumption for 2007 was the tightened monetary policy aimed at containing inflation by discouraging consumption. Private sector consumption expenditure increased significantly from 8.3 percent in 2006 to 13.5 percent in 2007 on account of rising inflation. Government consumption expenditure recorded a growth rate of 9.9 percent in 2007, higher than 5.3 percent recorded during the preceding year.

Table 3. Expenditure on GDP, Percentage Change

EXPENDITURE CATEGORY	2005	2006	2007	Average 2005-2007
Final Consumption	-0.9	7.6	12.7	6.4
Private	0.8	8.3	13.5	7.5
General Government	-5.9	5.3	9.9	3.1
Gross fixed capital formation	3.6	32.8	-4.2	10.7
Exports of goods and services	-0.8	15.3	0.9	5.1
Imports of goods and services	0.9	16.3	23.8	13.7

Source: 2007 National Accounts

19. Gross fixed capital formation **(investment)** in 2007 contracted to -4.2 percent compared to the robust expansion 32.8 percent recorded in 2006 and 10.7 percent average for 2005-2007, which could be attributed to completion of some major Government projects. Even though a tightening monetary regime was experienced during the 2006-2007 period, the funds that propelled investment in this year such as foreign direct investment and government capital projects were hardly affected by the domestic monetary policy regime. The expansion of investment mainly originated from the mining sector, as a result of high mineral demand in the international market as well as the completion of many government development projects countrywide.

20. Between 2005 and 2007, the growth of total **exports** of goods and services averaged 5.1 percent, while that of **imports** stood at 13.7 percent. During 2007, the growth in exports was recorded at 0.9 percent whereas imports grew at 23.8 percent; this represents a respective deceleration from 15.3 percent (exports) and an increase from 16.3 percent (imports) in 2006. The slowdown in export growth was mainly attributed to a decline in exports of minerals and deceleration of export of live animals, animal products and crops as well as fish and other fishing products. On the import side, the increase is ascribed mainly to an increase in imports of services.

External Sector Developments

21. The external sector of Namibia, as measured by developments in the **balance of payments (BOP)** continued to show positive results during 2007. The balance of payments recorded a surplus of N$ 4.1 billion in 2007, which represents a remarkable increase over the N$ 1.1 billion achieved in 2006. This continuous surplus since 2005 in the overall balance of payments mainly stems from significant current account surpluses following sizeable inflows of income from the Southern African Customs Union (SACU) revenue pool. In the light of thriving commodity prices which prevailed in three quarters of 2008, this level is expected to have been maintained in 2008. However, the need to diversify the secondary sector, particularly the export-led manufacturing activities and other export oriented sub-sectors of the economy remains a challenge yet to be overcome.

22. The deficit on the capital and financial account, narrowed from N$7 billion in 2006 to N$4.9 billion in 2007. The improvement was due to an increase in foreign direct investment from N$2.7 billion, representing 5.8 percent of GDP in 2006 to N$4.9 billion, representing 8.3 percent of GDP in 2007**.** The origins of these investments were mainly from equity capital in the mining sector and reinvested earnings. Another component that contributed to the high BOP surplus was the net inflows of capital to commercial banks in Namibia.

Price Developments

23. During 2005-2007, the inflation rate averaged 4.7 percent underpinned by prudent fiscal and monetary policies and a favourable external environment. However, inflation increased progressively in 2006 and 2007 mainly due to high and persistent increases in international crude oil and food prices and a weaker domestic currency resulting in annual average rates of 5.1 and 6.7 percent for 2006 and 2007, respectively. To contain prices and to prevent second round effects of oil price inflation, the Bank of Namibia significantly tightened monetary conditions by increasing its bank rate by 350 basis points during 2006 and 2007.

24. Total **Private Sector Credit (PSC)** growth increased to 16.6 percent at the end of March 2007 from 13.0 percent recorded during the previous year. As monetary policy tightening has usually a time lag, the tightening did not have instantaneous effect during that period. PSC growth, nevertheless, retracted to 12.2 percent at the end of March 2008 suggesting that domestic demand has been suppressed by the tighter monetary policy stance. Credit to individuals seems to have reacted faster to monetary policy tightening than credit to businesses.

25. The slowdown in PSC growth was particularly observed in both mortgage credit and instalment sales and this displayed the responsiveness of asset backed credit to interest rate changes. Mortgage loans growth decelerated to 27.1 percent at the end of March 2007 from 32.7 percent at the end of March 2006. It further decelerated to 12.0 percent at the end of March 2008. Similarly, growth in instalment credit decelerated from 36.9 percent at the end of March 2006 to 9.8 percent and subsequently to 3.7 percent at the end of March 2007 and 2008, respectively. The downward trend observed in the growth of asset backed credit suggests that there is not much inflationary pressure coming from this component going forward.

Fiscal Developments

26. The main objective of government fiscal policy is to maintain macroeconomic stability, promote economic growth and improve the welfare of all Namibians. The policy aims at maintaining fiscal sustainability, anchored on fiscal prudence and expenditure control as an integral part of overall macroeconomic strategy for sustainable economic development over the long-term.

27. In keeping with this mandate, the government has adopted the following key fiscal target (i) achieve and maintain public expenditure levels below 30 percent of GDP, (ii) budget deficit not exceeding 3 percent of GDP (on average over the MTEF period) and (iii) public debt not exceeding 25 percent of GDP. Besides severe structural and social challenges, government has managed to reduce budget deficit and debt levels, while guarding against excess expenditure outlays.

28. Average revenue outturn for 2005/6 – 2007/8 amounted to N$ 17.1 billion, an average revenue growth level of 22.2 percent over the MTEF Period. Total revenue outturn recorded during 2007/8 amounted to N$20.7 billion, more than double what was recorded in 2005/6 and about 18 percent more than revenue collected during 2006/7, thus significantly outperforming the budget estimate. This rise in total revenue maintains strong revenue performance since 2004/5, primarily driven by better-than-expected boom in commodity prices, improvements in revenue collection and better receipts from international trade, notably SACU receipts.

29. The percentage change in year-on-year revenue growth has increased steadily from 14.7 percent in 2005/6 to 17.6 percent in 2007/8; but this pace is significantly below the 34.2 percent revenue growth rate recorded in 2006/7 owing to the exceptional revenue outturn in 2006/7. Part of the deceleration between 2006/7 and 2007/8 can be explained by an estimated N$320 million tax relief extended to low income earners and retirement fund contribution deductibles during 2007/8. The revenue-reducing effect of zero-rating of selected basic consumer goods implemented during 2008/9 may ultimately be offset by efforts to strengthen revenue collection initiatives through extension of forensic audits and introduction of tax on Unit Trusts interest earnings during the 2008/9 fiscal year. The final balance on this item will become known after the end of the fiscal year.

30. Tax revenue remains the mainstay of government revenue and achieved an all-time high of 93 percent of total revenue in 2007/8, producing an excess of about 12.6 percent over the budget estimate. This increase is largely driven by **taxes on international trade** which, after softening to 32.5 percent of the **total tax revenue** in 2005/6, outperformed taxes on income and profits since 2006/7and increased to 42.4 percent by 2007/8. The improvement in taxes on international trade is due to a steady increase in SACU receipts owing to an import boom in South Africa as well as the new SACU revenue sharing formula effective since 2006/7.

31. **Taxes on income and profits** remain the second most important tax revenue source and increased the most from N$4,576 million in 2005/6 to N$6,730 million in 2007/8 owing to increases in non-resident shareholders tax, underpinned by commodity price gains. **Domestic taxes on goods and services** averaged N$3,321 million during 2005/6 – 2007/8 period and recorded a healthy increase from N$3,001 million in 2006/7 to N$3,854 million during 2007/8.

32. In general, taxes on income and profits performed better than estimated. **Tax on individuals,** as part of the **taxes on income and profits category,** outperformed budget estimates by 37 percent due to improvements in personal earnings. Tax on individuals made up of 55 percent of that category in 2007/8 and thus outperformed returns from company tax for the first time since independence. **Company tax** outperformed budget estimates by 36 percent. The above-expectation performance of company tax is mainly due to improvements in **non-mining company** and **non-diamond mining company** tax outturn, which increased from N$1,451 million and N$351 million in 2006/7 to N$1,834 million and N$780 million in 2007/8, respectively.

33. All-in-all, the anticipated downturn of economic activity globally, regionally and possibly nationally as well as the impending **tariff reductions under the various free trade agreements within and between SADC** and other parties as well as free trade agreements between SACU and other trade blocks pose medium-term and future risks to the sustainability of revenue growth.

34. Stronger-than-expected revenue performance and prudent expenditure control resulted in the budget balance outturn of about N$ 2,972 million during 2007/8, corresponding to 4.7 percent of GDP and significantly higher than the budget estimate of 1.1 percent. It is the second budget surplus in independent Namibia, after a budget surplus of 4.1 percent was recorded in 2006/7. This result represents a significant improvement from the last deficit of N$82 million, -0.2 percent of GDP recorded in 2005/6. The resultant fiscal space provided scope to strengthen policy strategies aimed at addressing Namibia's persistent developmental challenges.

35. Total debt stood at N$11,693 million during 2007/8 and, as a proportion of GDP, had fallen by 12 percent since 2004/5. Available fiscal space has been judiciously utilised to accelerate debt repayment so that the proportion of total debt to GDP for 2007/8 has declined sharply from 24.4 percent in 2006/7 and 26.4 percent in 2005/6 to 18.7 percent, well below the set target of 25 percent. The decline in total debt stock is mainly due to redemption of the GC07 bond and gradual reduction in T-365 treasury bills during 2007/8. Similarly, total loan guarantees issued increased by 7.5 percent from N$3,504.8 million in 2005/6, before declining by 9.4 percent from 2006/7 level to N$3,413.3 million in 2007/8. Payments due to default on guaranteed loans have increased from N$21.6 million during 2005/6 to N$212.5 million in 2006/7, bringing the total payments of this nature to N$517.1 million since 2000/1. There were no payments due to default during 2007/8 fiscal year.

36. As part of the fiscal targets set by Government, public expenditure should not exceed the 30 percent of GDP. The total expenditure outturn for 2005/6 – 2007/8 averaged N$15.2 billion, which amounted to about 27.6 percent of GDP. Expenditure outlay for 2007/8 amounted to N$17.4 billion, which was less than the budget estimate. The expenditure / GDP ratio increased to 28.3 percent in 2007/8 as compared to 27.3 percent recorded during 2006/7. In view of impending revenue losses, constraining public expenditure within the 30 percent benchmark remains important. Alternatively, an expenditure ratio linked to actual revenue outturn may be an useful tool to target expenditure levels.

Table 4: Total Revenue, Expenditure and Budget Balance (N$ million), 2004/05 to 2007/08[2]

ITEM	2003/04	2004/05	2005/06	2006/07	2007/08
REVENUE	9,767	11,424	13,108	17,593	20,689
%of GDP	25.3	26.2	27.2	31.5	33.0
Expenditure	12,241	12,493	13,189	15,279	17,717
%of GDP	31.7	28.7	27.4	27.3	28.3
Budget Balance	-2,474	-1,069	-82	2,314	2,972
%of GDP	-6.4	-2.5	-0.2	4.1	4.7
Total Debt	10,201	12,642	12,710	13,636	11,693
%of GDP	26.4	29.0	26.4	24.4	18.7
	38,648	43,554	48,137	55,877	62,663

Source: Ministry of Finance

37. Development expenditure hovered around 11 percent of total expenditure during the 2005/06 – 2007/08 financial years. There was a significant increase in the development budget expenditure from N$1,876.4 million in 2006/7 to N$2,073.9 million.Its execution rate however, fell from an all-time high of 96.3 percent achieved during 2006/7 to 88 percent in 2007/8. Out of a total allocation of N$ 2,073.9 million during 2007/8, N$ 238.9 million was not spent, representing 11.5 percent. This contrasts with the outcome realised during 2006/7, when the highest implementation rate was achieved with a variance of only 3.7 percent.

[2] According to the revised GDP figures as published in the National Accounts 2007. National Accounts Data has been revised for 2000-2007, and are significantly different from the previous series. All references to GDP refer to the revised GDP data.

C. MEDIUM TERM OUTLOOK

38. The GDP growths are projected under two scenarios, the most likely and the pessimistic scenarios. The pessimistic scenario projections are based on the premises that the downside risks to the most likely scenario will materialise, thus having dampening effect on the projections.

39. The GDP growth for 2009/10-2011/12 MTEF under the most likely scenario is based on the following assumptions for the macroeconomic variables:

Box 1: Assumptions for MTEF 2009/10 – 2011/12: Under a most likely scenario

International Assumptions

- International inflation is assumed at 3.5 percent and 0.3 percent in 2008 and 2009 respectively
- World trade is assumed to grow at 4.1 percent in 2008 and at -2.8 percent in 2009
- USA long-term interest rate is assumed at 3.64 percent per annum
- Oil prices expected to average at US$ 97.03 per barrel in 2008; US$ 50.00 in 2009;and for 2010 US$60.00
- Global economy to slow to 0.5 percent and 3.0 percent in 2009 and 2010
- Commodity prices declined as from the last quarter of 2008 and expected to decline in 2009 due to demand shrinkage in the developed nations as a result of financial crisis
- It is expected that the advanced economies will go into recession in 2009

Namibia Assumptions

Demand Side

- Average annual inflation was 10.3 percent in 2008 and expected to be slightly above 7 percent in 2009 and it is expected to hover above 6 percent for 2010 -2012.
- Exchange rate - The Namibia Dollar is projected to depreciate at 6.5 percent per year.
- Population growth 1.9 percent per annum (remain the same as projected in the population report)
- Labour force growth 2.6 percent per annum (remains the same as projected in the NDP3)
- Consumption is expected to shrink due to possible general retrenchment as a result of expected decline demand for goods and services
- Foreign direct investments are expected to play a major role which as for 2008 continued to show signs of strength with a number of private investors affirming their investment intentions.
- The Government's material consumption and investment are assumed to follow the MTEF
- Employment in the Government is assumed to follow the population growth trend.
- The salaries and wages (wage rate) in the Government are assumed to follow the consumer price index (CPI) or inflation of on average 9% per annum.
- Exports are expected to decelerate due to expected decreased consumer demand
- Imports are expected to decelerate due to expected shrinkage in domestic demand for goods and services.

Supply-side Assumptions

- Primary industries are expected to perform poorly due to the expected contraction in the mining sector.
- Secondary industries are expected to perform fairly well on the back drop of good performance in the construction sector.
- The good performance of tertiary industry over the past five years is expected to continue albeit at a decelerating growth in the short term due to high interest rate environment, but growth is expected to accelerate in the medium term due to easing price environment.

Source: Macroeconomic Working Group

III. GDP Projections from the Demand Side

40. In part supported by an expansionary yet prudent fiscal policy, the Namibian economy hasweathered shocks exerted by the current global economic turmoil relatively well in 2008. The economy is estimated to have grown by 2.4 percent during 2008. This growth was mainly driven government consumption (26.4 percent) as per MTEF.

41. For 2009 growth is projected at 1.1 percent and thereafter, at an average of 2.5 percent for the period 2010 – 2012. During 2009 and beyond the economy will be driven mainly by private and government investments. Investments are attributed largely to new investments in water and electricity sector, government investment in infrastructures, construction in the tourism industry and the erection of the cement factory. Imports are expected to be high as a response to high demand in the consumption and investment.

Table 5: GDP projection, expenditure approach

CONSTANT, 2004 PRICES-PERCENTAGE CHANGE	2007	2008	2009	2010	2011	2012
	Actual	Estimate	Projections			
1. Consumptions	**12.7**	**9.6**	**1.3**	**1.9**	**3.2**	**3.4**
Private consumption	13.5	4.7	1.1	1.9	3.6	3.9
Government consumption	9.9	26.4	1.9	1.9	1.9	1.9
2. Investment	**-4.2**	**21.3**	**3.9**	**9.1**	**5.2**	**6.2**
Private enterprises,	**-15.2**	**44.5**	**10**	**19**	**12.6**	**13.6**
Government investment	24.9	16	12.7	8.7	7.9	7.9
3. Exports of goods and services	**0.9**	**-3.9**	**-2.5**	**0.9**	**1.1**	**0.7**
4. Imports of goods and services	**23.8**	**3.9**	**0.2**	**4.1**	**4**	**4.2**
GDP, growth rate	4.1	2.4	1.1	2.3	2.5	2.8

Source: 2007 National Accounts; Macroeconomic Working Group

IV. GDP Projections from the Supply Side

42. Growth is likely to be driven by the secondary industry, which is projected to average at 4.0 percent over the 2009 -2012 period, followed by the tertiary industry averaging at 2.8 percent and primary industry at -2.0 percent.

Table 6: GDP Growth Rates by Industry: A Most Likely Scenario

GDP BY INDUSTRY, 2004 PRICES	2007	2008	2009	2010	2011	2012	2009-2012
	Actual	Estimate	Projections				Average
Primary Industries	-0.9	-3.0	-13.3	1.6	2.1	1.6	-2.0
Secondary Industries	5.0	5.3	5.9	3.0	3.3	3.8	4.0
Tertiary industries	5.4	3.4	2.6	2.8	2.7	3.1	2.8
GDP at constant prices	4.1	2.4	1.1	2.3	2.5	2.8	2.2

Source: 2007 National Accounts; Macroeconomic Working Group

Primary Industries

43. Primary industry is estimated to have declined by 3.0 percent in 2008 and it is projected to contract further by 13.3 percent in 2009, and is expected to contract on average by 2.0 percent for the period of 2009 – 2012, as shown in Table 6 above. The poor performance of the primary sector is mainly attributed to a sharp contraction to mining output. The agriculture sector is expected to perform positively, particularly with the new developments in terms of expansion of horticulture, extension of silos and the declaration of the *mahangu* (pearl millet) as a controlled crop. Additional developments in agriculture that will improve the production are the increased subsidies to farmers and the re-organization of the resettled farmers. It is foreseen that agricultural activities based on rehabilitation of bush-encroached farmland will increase. Notwithstanding the anticipated sluggish global growth, it is projected that the demand for the local agricultural products would remain favourable, possibly also on the back of a weakened Namibia Dollar.

Secondary Industries

44. Secondary industry is expected to grow at 5.3 percent and 5.9 percent for 2008 and 2009, respectively and to average 3.3 percent for the period of 2010 – 2012. The growth will be primarily driven by the manufacturing and construction sectors. The high growth in manufacturing is expected as a result of other food and beverages and other manufacturing mainly smelting of copper. In the construction sector the growth will mainly be on account of increased construction activities in mining and quarrying, wholesale and retail trade, transport and communication and expected increase in government capital expenditure.

Tertiary Industries

45. Tertiary industry is expected to grow at 3.4 and 2.6 percent for 2008 and 2009, respectively and to average 2.9 percent through the period of 2010 – 2012. The growth will mainly be driven by the following sectors; wholesale and retail trade, hotels and restaurants, transport and communication, real estate and business services and Community, social and personal services. The expected improvement of inflation and therefore interest rate reductions, as from 2009 onwards, may improve tertiary industries during the same period.

V. Revenue and Expenditure Projections over the 2009/10 – 2011/12 MTEF Period

46. Given the considerable slowdown of economic activity over the upcoming MTEF period, public revenue collection is expected to slow too. Table 7 below provides an overview of expected public revenue collection and projected expenditure levels over the MTEF period. This in turn will inevitably have an impact on fiscal and debt levels, in line with policy recommendations.

Table 7: Total Revenue, Expenditure and Budget Balance (N$ million), 2007/08 to 2011/12[3]

ITEM	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	**Estimate**	**Projections**		
REVENUE & Grants	20,689	21,972	21,778	21,147	22,688
%of GDP	33	32.8	31.2	28.6	28.6
Expenditure	17,717	22,469	25,385	22,465	23,214
%of GDP	28.3	33.5	36.3	30.47	29.2
Budget Balance	2,972	-497	-983	-2,655	-2,288
%of GDP	4.7	-0.7	-1.4	-3.7	-3.0
Total Debt	11,693	12,952	15,956	20,320	23,991
%of GDP	18.7	19.3	23.4	28.2	31.4
GDP	62,663	66,955	69,868	73,855	79,428

Source: Ministry of Finance

[3] According to the revised GDP figures as published in the National Accounts 2007. National Accounts Data has been revised for 2000-2007, and are significantly different from the previous series. All references to GDP refer to the revised GDP data.

D. CHALLENGES AND DOWN-SIDE RISKS IMPACTING ON ECONOMIC PERFORMANCE

47. Given effect of the global economic performance on the Namibian economy, there are a number of challenges that need to be addressed in order to put the economy on higher sustainable growth trajectory. These challenges are mainly structural in nature and have been identified in government plans, including Vision 2030.

48. Cognisance should however be taken that efforts towards addressing these challenges may be compromised by **significant reductions in revenue**, as a consequence of the current financial crises and, among others, increased trade liberalisation.

49. Receipts from the **SACU Revenue** Pool have been, and remain, a significant contributor to Government revenue. SACU revenues are expected to reduce due to trade liberalisation and the envisaged formation of the SADC Customs Union by 2010. Namibia, together with other six countries which includes all SACU member states, are at the final stages of trade negotiations in the context of EPA agreements with the EU that are expected to culminate into a signed agreement in the upcoming MTEF period. With this SACU revenues are highly likely to reduce further over the current MTEF period and Government needs to prepare living with reduced revenue.

50. Namibia's ability to significantly increase her economic output is hampered by high unemployment, supply side constraints, poor skills levels and the challenges emanating from the HIV/AIDS pandemic.

51. Namibia depends on imported **energy resources** and this includes electricity and petroleum, mainly from South Africa. Recently South Africa has been experiencing increasing energy needs of its own. Due to these developments, South Africa has reduced the quantity of electricity exports to neighbouring countries, including Namibia, and also increased the sale price. The shortage of electricity is likely to impact negatively on major developmental projects in Namibia especially in the mining and manufacturing sectors. Nampower has initiated an ambitious programme to address the national energy shortages.

52. The construction sector is expected to perform well during 2008 and 2009. Current growth projections in the sector may however be jeopardised by the **shortage of cement**, which is an important input in construction.

53. Although the a number of policies exist which should assist private and public sector to become more competitive in the regional and international context there are no safeguards for local industries against dumping and other anti-competitive practices.

54. It is critical to improve financial performances of **State-Owned Enterprises, Local and Regional Authorities** in order for them to become self-sustainable, especially in the face

of dwindling Government revenues. Improved performance of SOE's can significantly improve services rendered while relieving pressure on the budget. Government has put measures in place aimed at improving the management of SOEs. Such measures include the need to target subsidies to SOEs to specific outputs and introducing performance accountability of SOE's management.

55. Namibia is a small open economy, with the trade-to-GDP ratio in excess of some 83 percent. That implies that Namibia's economy is very much affected by events taking place in the global economy such as the current financial crises, which has already led the main world economies into recession. If the **financial crisis and the subsequent global recession** is prolonged, this could result in the worst-case scenario for Namibia, as illustrated by the pessimistic scenario in the annexure.

E. MACROECONOMIC STRATEGIES AND CONCLUSIONS

Macroeconomic Strategies

56. In view of the likely economic outturn under the MTEF and the specific needs to attain the goals of NDP3 and Vision 2030, Government shall put in place measures which would create an enabling environment for the economy to grow above expectation. This requires Government to improve expenditure targeting, especially capital expenditure in order to improve investment outcomes, improve system efficiency and strengthen revenue collection measures, for both tax and non-tax collections and in line with the strategic objectives of Government.

57. Going forward, **public expenditure will be aimed** at addressing health and education constraints, agricultural output in quantity and quality to guarantee food security, infrastructure development and diversification of the economic sectors where a competitive advantage exists.

58. **Concrete programmes in the key focus areas** should be identified and prioritized to receive any possible additional budget allocations. Especially over the medium term when revenue is under pressure. Broad based, untargeted spending is counter productive as they merely increase public debt without increasing the capacity of the economy to finance such debt.

59. More specifically the Government shall employ and deploy the following measures:

    - Ensure macroeconomic stability over the MTEF period by maintaining fiscal sustainability;

    - Utilize available fiscal space created over the past MTEF to allow Government to expand the public expenditure to weather the looming economic hardship in Namibia over the immediate to medium term;

    - Given the uncertainty about when the current economic turmoil will recede, system efficiencies shall be ensured through, *inter alia,* cutting non-essential expenditures in order to free up resources that can be used to strengthen allocations to critical areas. In addition, Government may consider private sector participation in strategic SOE's.

    - Improve non-tax revenue collection, in order to augment tax revenue which will face increasing pressures;

    - Over the past MTEF, a number of commendable policy interventions have been adopted by Government. During the next MTEF, Government shall place emphasis on improving implementation, especially that these policy interventions have the ability to improve system efficiency. These include enforcement of anti-dumping countervailing and safeguard measures in order to safeguard existing investments and encourage new ones, as well as to protect consumers.

60. This Framework has considered two growth scenarios, namely, the most-likely and pessimistic scenarios (see Annexure). Both scenarios have considered the possible effects of the financial crises and global recession. The Framework recommends the most-likely scenario as the basis for MTEF 2009/10-2011/12.

Conclusions

61. The Namibian economic growth slowed down from 7.1 percent in 2006 to 4.1 percent in 2007. In addition to the unfavourable global developments that negatively impacted on the export-oriented industries, this slowdown is attributed to the weak output in the primary industry.

62. Economic growth is expected to slowdown to 2.4 and 1.1 percent in 2008 and 2009, respectively. The economy is expected to grow on average by 2.2 percent over the period 2010 – 2012. During this period, growth will be driven mainly by private and government investments. New investments are expected in the mining, water and electricity as well as construction sectors. Imports are expected to be high as a response to high demand in the consumption and investment, while export would be moderate.

63. Further downside risks to the outlook, due to the financial crises and the global economic recession being experienced exist. The effects of the crises may intensify further impeding economic performance in Namibia, and thus Government’s ability to adequately collect revenue in order to satisfy the necessary socio- economic development.

64. Namibia envisions being an industrialised nation by 2030. NDP3 has foreseen that the economy is to grow by at least 5 percent per annum under a realistic scenario for Namibia to safely attain Vision 2030. However, the economy, over the MTEF period is expected to grow by 2.2 percent only.

ANNEXURE:

Table 8. Annual percentage change (at constant, 2004 prices) in Gross Domestic Product by activity

INDUSTRY , 2004 PRICES	2005	2006	2007	2005-2007
Agriculture	15	3.8	6.5	8.4
Livestock Farming	41.5	-7.3	1.8	12
Crop Farming and Forestry	-3.6	15.2	10.3	7.3
Fishing and fish processing on board	-8.3	-8.8	-17.5	-11.6
Mining and quarrying	-10.9	27.6	-0.4	5.4
Diamond mining	-16.6	38	-3.1	6.1
Other mining and quarrying	17.3	-8.5	13.7	7.5
Primary Industries	**-3.1**	**12.8**	**-0.9**	**3**
Manufacturing	7.5	2.7	7.2	5.8
Meat processing	21.9	-8.5	6.5	6.6
Fish processing on shore	-5.2	-31.7	5.8	-10.4
Manufacture of other food products and beverages	4.2	3	4.8	4
Other Manufacturing	14	12.7	9.4	12
Electricity and water	24.3	6.3	3.2	11.3
Construction	2.4	43	-1.5	14.7
Secondary Industries	**8.8**	**9.1**	**5**	**7.6**
Wholesale and retail trade, repairs	9.7	7.6	7.9	8.4
Hotels and restaurants	2.4	7.4	8.2	6
Transport and communication	9.3	14.5	7.5	10.4
Transport and storage	2.8	35.9	15.2	18
Post and telecommunications	13.2	2.8	1.9	6
Financial intermediation	14.1	4.4	5.2	7.9
Real estate and business services	6.8	3.6	6.1	5.5
Real estate activities	5.4	5.3	4.8	5.2
Other business services	10.6	-0.9	9.8	6.5
Community, social and personal services	6.9	2.8	0.9	3.5
Producers of government services	-9	2.7	3.4	-1
Other producers	2.2	2.2	2.2	2.2
Tertiary industries	**2.1**	**5.4**	**5.4**	**4.3**
Less: Financial services indirectly measured	10.7	14.2	10.1	11.7
GDP at Basic prices	**2.2**	**7.4**	**4**	**4.5**
Taxes on Production and Imports less Subsidies	5.9	4.1	5.1	5
GDP at market prices	**2.5**	**7.1**	**4.1**	**4.6**

Source: 2007 National Accounts

Table 9. GDP Growth Rates by Industry:

- A Most Likely Scenario -

Industry	2007	2008	2009	2010	2011	2012
	Actual	Estimate		Projections		
Agriculture	6.5%	-2.9%	5.6%	2.6%	1.8%	0.5%
Livestock farming	1.8%	-0.9%	7.2%	3.4%	1.0%	3.5%
Crop farming and forestry	10.3%	-4.5%	4.3%	2.0%	2.5%	-2.0%
Fishing and fish processing on board	-17.5%	-5.0%	7.0%	1.8%	-2.3%	0.9%
Mining and quarrying	-0.4%	-2.7%	-29.4%	0.7%	3.8%	2.8%
Diamondmining	-3.1%	-8.7%	-40.4%	0.0%	4.8%	2.8%
Other mining and quarrying	13.7%	24.2%	6.8%	1.8%	2.1%	2.8%
Primary Industries	**-0.9%**	**-3.0%**	**-13.3%**	**1.6%**	**2.1%**	**1.6%**
Manufacturing	7.2%	4.3%	5.4%	3.0%	3.3%	3.5%
Meat processing	6.5%	2.6%	2.0%	3.3%	3.7%	4.0%
Fish processing on shore	5.8%	2.7%	2.6%	3.2%	2.5%	2.8%
Manufucture of other food products and beverages	4.8%	2.5%	2.1%	3.0%	3.5%	4.7%
Other Manufacturing	9.4%	6.0%	8.5%	3.0%	3.2%	2.8%
Electricity and water	3.2%	2.0%	1.5%	2.1%	2.2%	2.8%
Construction	-1.5%	11.5%	10.7%	3.5%	3.8%	5.3%
Secondary Industries	**5.0%**	**5.3%**	**5.9%**	**3.0%**	**3.3%**	**3.8%**
Wholesale and retail trade, repairs	7.9%	4.5%	3.5%	3.6%	3.2%	3.4%
Hotels and restaurants	8.2%	4.3%	0.0%	1.2%	3.3%	2.2%
Transport and communication	7.4%	4.5%	3.8%	4.3%	3.8%	4.3%
Transport and storage	15.1%	7.8%	6.9%	7.0%	5.3%	5.6%
Post and telecommunications	1.9%	1.8%	1.1%	1.7%	2.2%	3.0%
Financial intermediation	5.2%	2.2%	2.0%	2.5%	3.2%	4.6%
Real estate and business services	6.1%	5.2%	3.4%	3.7%	3.2%	3.8%
Real estate activities	4.8%	3.3%	2.1%	2.3%	3.2%	3.5%
Other business services	9.8%	10.5%	6.7%	6.9%	3.2%	4.5%
Community, social and personal services	0.9%	1.2%	1.1%	1.1%	1.3%	1.5%
Producers of government services	3.4%	1.9%	1.9%	1.9%	1.9%	1.9%
Other producers	2.2%	1.0%	0.5%	1.6%	2.5%	2.8%
Tertiary industries	**5.4%**	**3.4%**	**2.6%**	**2.8%**	**2.7%**	**3.1%**
Less:Financial services indirectly measured	10.1%	-11.2%	-57.8%	47.9%	24.5%	21.1%
GDP at Basic prices	4.0%	2.7%	1.2%	2.4%	2.6%	2.8%
Taxes on Production and Imports less Sudsidies	5.1%	-1.7%	0.0%	0.3%	1.7%	2.1%
GDP at market prices	**4.1%**	**2.4%**	**1.1%**	**2.3%**	**2.5%**	**2.8%**

Source: 2007 National Accounts; Macroeconomic Working Group

Table 10. Gross domestic product by activity (Current prices in N$ millions) - A Most Likely Scenario -

Industry	2007	2008	2009	2010	2011	2012
	Actual	Estimate		Projections		
Agriculture and forestry	3,626	3,844	2,966	3,264	3,346	3,540
Livestock farming	1,874	1,922	1,449	1,668	1,712	1,770
Crop farming and forestry	1,752	1,922	1,518	1,596	1,634	1,770
Fishing and fish processing on board	2,218	2,386	2,656	2,756	2,964	3,119
Mining and quarrying	7,591	5,899	4,277	4,548	4,886	5,209
Diamond mining	3,561	2,187	897	1,001	1,074	995
Other mining and quarrying	4,029	3,712	3,380	3,547	3,812	4,215
Primary industries	**13,435**	**12,129**	**9,898**	**10,569**	**11,196**	**11,869**
Manufacturing	9,661	10,207	11,368	11,606	12,192	13,883
Meat processing	218	265	276	290	327	354
Fish processing on shore	818	994	1,021	1,088	1,206	1,349
Other food products and beverages	2,929	2,651	2,690	2,829	3,034	3,372
Other manufacturing	5,695	6,297	7,381	7,399	7,625	8,809
Electricity and water	1,128	1,259	1,317	1,378	1,541	1,669
Construction	2,047	2,094	2,552	2,684	2,880	3,035
Secondary industries	**12,836**	**13,561**	**15,237**	**15,668**	**16,612**	**18,588**
Wholesale and retail trade, repairs	6,769	7,556	7,588	7,653	7,858	8,185
Hotels and restaurants	1,090	1,223	1,114	1,161	1,276	1,382
Transport, and communication	2,922	3,523	3,690	3,932	4,240	4,678
Transport and storage	1,177	1,336	1,414	1,538	1,673	1,897
Post and telecommunications	1,746	2,187	2,276	2,394	2,568	2,782
Financial intermediation	2,508	2,717	2,842	2,960	3,206	3,473
Real estate and business services	4,924	5,634	5,767	6,180	6,677	7,233
Real estate activities	3,490	3,977	4,001	4,309	4,747	5,143
Other business services	1,434	1,657	1,766	1,871	1,930	2,090
Community, social and personal service activities	1,984	2,320	2,438	2,466	2,692	2,917
Producers of government services	10,724	12,925	15,451	16,822	18,611	20,079
Private household with employed persons	419	457	469	486	528	572
Tertiary industries	**31,340**	**36,355**	**39,359**	**41,659**	**45,088**	**48,519**
Less: Financial intermediation services indirectly measured	807	868	828	870	926	1,003
All industries at basic prices	56,804	61,177	63,667	67,026	71,970	77,972
Taxes less subsidies on products	4,653	5,104	5,311	5,513	5,835	6,322
GDP at market prices	**61,457**	**66,280**	**68,978**	**72,539**	**77,806**	**84,294**

Source: 2007 National Accounts; Macroeconomic Working Group

Table 11. Gross domestic product by activity, (Constant prices 2004 in N$ millions) - A Most Likely Scenario -

Industry	2007	2008	2009	2010	2011	2012
	Actual	Estimate		Projection		
Agriculture	2,860	2,777	2,933	3,010	3,065	3,079
Livestock farming	1,241	1,230	1,319	1,364	1,378	1,427
Crop farming and forestry	1,620	1,547	1,614	1,646	1,687	1,653
Fishing	1,079	1,025	1,097	1,117	1,091	1,100
Mining and quarrying	4,699	4,573	3,229	3,251	3,375	3,469
Diamondmining	3,840	3,506	2,091	2,091	2,192	2,252
Other mining and quarrying	859	1,067	1,139	1,160	1,184	1,216
Primary Industries	**8,638**	**8,375**	**7,259**	**7,378**	**7,531**	**7,648**
Manufacturing	6,321	6,595	6,953	7,162	7,398	7,656
Meat processing	173	178	181	187	194	202
Fish processing	523	537	551	568	583	599
Manufucture of other food products and beverages	2,406	2,467	2,519	2,594	2,686	2,812
Other Manufacturing	3,219	3,413	3,702	3,812	3,935	4,043
Electricity and water	1,227	1,252	1,270	1,298	1,327	1,363
Construction	1,643	1,831	2,028	2,099	2,179	2,293
Secondary Industries	**9,191**	**9,679**	**10,251**	**10,559**	**10,904**	**11,313**
Wholesale and retail trade, repairs	5,904	6,172	6,390	6,623	6,832	7,064
Hotels and restaurants	915	954	955	966	998	1,020
Transport and communication	3,230	3,376	3,503	3,652	3,789	3,953
Transport and storage	1,452	1,566	1,674	1,792	1,887	1,994
Post and telecommunications	1,777	1,809	1,829	1,860	1,902	1,960
Financial intermediation	2,132	2,179	2,222	2,278	2,351	2,460
Real estate and business services	4,602	4,842	5,005	5,188	5,353	5,555
Owner-occupied dwellings	3,375	3,485	3,558	3,641	3,757	3,887
Other real estate and business services	1,227	1,357	1,447	1,547	1,596	1,668
Community, social and personal services	1,717	1,738	1,756	1,776	1,799	1,827
Producers of government services	8,689	8,857	9,029	9,196	9,371	9,547
Other producers	366	369	371	377	386	397
Tertiary industries	**27,556**	**28,487**	**29,230**	**30,054**	**30,880**	**31,824**
Less:Financial services indirectly measured	652	579	244	361	450	545
GDP at Basic prices	**44,733**	**45,961**	**46,496**	**47,630**	**48,865**	**50,240**
Taxes on Production and Imports less Sudsidies	4,056	3,988	3,988	3,999	4,068	4,153
GDP at market prices	**48,789**	**49,949**	**50,484**	**51,628**	**52,933**	**54,393**

Source: 2007 National Accounts; Macroeconomic Working Group

Table 12. Expenditure on GDP (Current prices in N$ million)
- A Most Likely Scenario -

Expenditure category	2007	2008	2009	2010	2011	2012
	Actual	Estimate		Projections		
Final consumption expenditure	49,391	55,891	57,944	61,773	67,174	73,117
Private	37,610	41,689	44,858	48,408	52,745	57,649
General government	11,781	14,202	13,086	13,364	14,429	15,468
Gross fixed capital formation	12,705	16,659	17,785	20,132	21,762	24,088
Changes in inventories 1)	166					
Gross domestic expenditure	62,263	72,550	75,728	81,905	88,936	97,204
Exports of goods and services	29,419	30,855	32,844	34,065	36,008	38,031
Imports of goods and services	30,573	37,124	39,594	43,431	47,137	50,941
Discrepancy	349					
Gross domestic product at market prices	**61,457**	**66,280**	**68,978**	**72,539**	**77,806**	**84,294**

Source: 2007 National Accounts; Macroeconomic Working Group

Box2: Assumptions for MTEF 2009/10 – 2011/12: Under a pessimistic scenario

Namibia Assumptions

Primary Industries

- The economic depression extends into the medium-term, decreasing the price of commodities for longer.
- Mining companies are unable to acquire funds sufficient financing for capital expenditure projects. This leads to a stagnation in output numbers as exploration activities are put on hold.
- The lacklustre demands, coupled with the fact that many cutters have been unable to sell to retailers and started stockpiling, leads to a longer depression in the price of diamonds.
- Climatic conditions are unfavourable and lead to under-developed fish stocks.
- Due to decreasing prices the planned new mines may not start and existing mines may reduce the production.
- Water and energy may pose a constraint to the production and/or new entrants, especially in the mining industry.

Secondary Industries

- The extent and the persistence of the global financial crisis could cripple the economies, resulting in weaker world demand and reduced exports.
- The processing of minerals could suffer a downward trend due to a further possible decline in the numbers of the slaughtered livestock.
- The transportation costs and bottles as well as high demand for cement could push the prices up, therefore hampering the construction sector.
- Given the dependency on the imports from South Africa and on the climatic conditions coupled with the price volatility of coal and fuel could result in the storage of power supply.

Tertiary Industries

- It is expected that there will be a decelerating growth in the short term due high interest environment, but growth is expected to accelerate in the medium term due to easing price environment and the 2010 soccer world cup in South Africa.
- The main assumption under this industry is that it will continue to grow positive, but at a slightly lower rate than 2007 in 2008 and 2009, before increasing to an above growth rate in 2010.

Source: Macroeconomic Working Group

Table 13. GDP projection, expenditure approach: - A Pessimistic Scenario -

Constant, 2004 prices	2007	2008	2009	2010	2011	2012
	Actual	Estimates		Projections		
1. Consumption	**12.7%**	**9.3%**	**-0.3%**	**1.0%**	**2.7%**	**3.2%**
Private consumption	13.5%	4.3%	-1.1%	0.6%	3.0%	3.6%
Government consumption	9.9%	26.4%	1.9%	1.9%	1.9%	1.9%
2. Investment	**-4.2%**	**16.6%**	**1.9%**	**1.4%**	**1.7%**	**5.8%**
Private enterprices	-15.2%	36.4%	6.9%	7.0%	7.3%	13.4%
Government investment	24.9%	16.0%	12.7%	8.7%	7.9%	7.9%
3. Exports of goods and services	**0.9%**	**-4.0%**	**-3.2%**	**0.6%**	**0.7%**	**0.0%**
4. Imports of goods and services	**23.8%**	**3.1%**	**-1.1%**	**1.4%**	**1.7%**	**3.7%**
GDP, growth rate	**4.1%**	**1.5%**	**-0.4%**	**0.7%**	**2.2%**	**2.4%**

Source: 2007 National Accounts; Macroeconomic Working Group