Agriculture in Uncertain Times
- a need for a long term perspective –

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Daniel Motinga
dmotinga@fnbnamibia.com.na
FNB Namibia Consulting Economist

Growth tide turning slowly

Real GDP growth across jurisdictions (%)

Future consumption patterns will change

Youth unemployment in Europe (%)
**IMPLICATIONS FOR NAMIBIA**

**US recovery has implications for the flow of funds**

- **2013**
  - Most severe Winter in recent memory
  - US economic activity under pressure
  - Continued QE tapering and stopped by mid 2014

- **2014**
  - US growth expected to accelerate, pushing yields in real term of US yield curve up
  - Stronger growth and stable inflation will push 10yr bond yield to 3% by Y/E and higher into 2015
  - Yield curve will generally start to lift as the market starts pricing in the rate hiking cycle

- **2015**
  - Rate hiking cycle likely to start in mid-2015

**Macroeconomic backdrop:**
- Growth in developed economies continues to lift
- US household balance sheets have improved markedly – debt levels have fallen; asset side has improved (house price and equity market improvement); improvement in labour conditions – steady improvement in consumer confidence and spending
- Investment spending expected to pick up
- Trade deficit continues to fall – marked fall in oil imports; export growth increasing as the outlook for other developed economies (notably the Eurozone and UK) continues to improve; dollar weakness is providing further support to exports
- Improved growth outlook and erosion of production capacity is reducing the deflationary risk that has been a concern, which is why we expect US policy makers to be in a position to start lifting rates in mid 2015

**Rate hiking cycle likely to start in mid-2015**

**Will flows continue?**

**Capital flows to emerging markets**

- **2006**
- **2008**
- **2010**
- **2012**
- **2014f**

**Fragile 5 will remain exposed**

**Budget and current account deficits: 2012 - 14**

- **Brazil**
- **India**
- **Indonesia**
- **South Africa**
- **Turkey**

**Currencies have already adjusted sharply**

- **Peak overvaluation**
- **Current valuation**

Source: FNB Global Markets
Trading partner risk important

### Namibia’s main export destination for Jan 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Value (N$m)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>839</td>
<td>21.8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>640</td>
<td>16.6</td>
</tr>
<tr>
<td>Angola</td>
<td>363</td>
<td>9.4</td>
</tr>
<tr>
<td>Canada</td>
<td>348</td>
<td>9.0</td>
</tr>
<tr>
<td>EPZ</td>
<td>312</td>
<td>8.1</td>
</tr>
<tr>
<td>Spain</td>
<td>208</td>
<td>5.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>180</td>
<td>4.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>162</td>
<td>4.2</td>
</tr>
<tr>
<td>Italy</td>
<td>128</td>
<td>3.3</td>
</tr>
<tr>
<td>China</td>
<td>107</td>
<td>2.8</td>
</tr>
<tr>
<td>RoW</td>
<td>564</td>
<td>14.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>N$3.8 billion</td>
<td></td>
</tr>
</tbody>
</table>

**Trade balance:** N$1.3 billion

### Namibia’s main import destination for Jan 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Value (N$m)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>3,136</td>
<td>60.8</td>
</tr>
<tr>
<td>EPZ</td>
<td>343</td>
<td>6.7</td>
</tr>
<tr>
<td>Germany</td>
<td>258</td>
<td>5.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>245</td>
<td>4.7</td>
</tr>
<tr>
<td>USA</td>
<td>162</td>
<td>3.1</td>
</tr>
<tr>
<td>China</td>
<td>154</td>
<td>3.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>94</td>
<td>1.8</td>
</tr>
<tr>
<td>DRC</td>
<td>87</td>
<td>1.7</td>
</tr>
<tr>
<td>Zambia</td>
<td>65</td>
<td>1.3</td>
</tr>
<tr>
<td>France</td>
<td>57</td>
<td>1.1</td>
</tr>
<tr>
<td>RoW</td>
<td>553</td>
<td>10.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>N$5.1 billion</td>
<td></td>
</tr>
</tbody>
</table>

### Namibia is experiencing strong growth

**Namibia real GDP growth outlook (%)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>2.6%</td>
<td>0.3%</td>
<td>1.0%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Nominal</td>
<td>6.0%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.1%</td>
<td></td>
</tr>
</tbody>
</table>

### Fiscal policy remains was key anchor but will change

**Growth in government spending and nominal GDP (%)**

- **Budget growth**
- **Nominal GDP growth**

### The cost of funding will rise gradually

**Inflation and interest rate outlook (%)**

- **Repos rate**
- **CPI**
- **Real rate**
**Scope of expanding domestic consumption limited**

**Private consumption patters in Namibia**

**Investment spending moving in the right direction**

**RMB Index of investment destinations in Africa**

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**Broad unemployment in Namibia (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>36.75%</td>
</tr>
<tr>
<td>2006</td>
<td>51.20%</td>
</tr>
<tr>
<td>2012</td>
<td>27.49%</td>
</tr>
<tr>
<td>2013</td>
<td>23.00%</td>
</tr>
</tbody>
</table>

Source: NSA (Namibia)

**Private consumption (%)**

- Food, beverages and tobacco: 21%
- Housing and utilities: 29%
- Health, education and transport: 12%
- Other services: 13%
- Other goods: 19%

Source: NSA, FNB Namibia

**Investment spending growth across mining, agri and global (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>GFCF</th>
<th>AgriGFCF</th>
<th>MiningGFCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>18%</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>2009</td>
<td>10%</td>
<td>16%</td>
<td>4%</td>
</tr>
<tr>
<td>2010</td>
<td>10%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>2011</td>
<td>2%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>2012</td>
<td>3%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>2013</td>
<td>6%</td>
<td>14%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: NSA (Namibia), FNB Namibia

**RMB Index of investment destinations in Africa**

**African country ranking on market size, market growth and operating environment (%)**

- Mauritius
- Botswana
- South Africa
- Tunisia
- Ghana
- Rwanda
- Namibia
- Morocco
- Senegal
- Egypt
- Algeria
- Angola
- Chad
- Congo
- LIB

Source: RMB Global Markets
Top ten RMB investment destinations – geography matters

Agriculture is lagging rest of the economy

Agriculture relative share of national cake is falling

Policy issues – some issues to think about

- Exporting is the only sustainable way to creating wealth in addition to domestic demand – let’s follow the money
- We are part of a global village and it will impact us
- Regional trade policy and non-tariff barriers will remain important for exports
- Consumers are looking for well-priced protein (quality debatable)
- Small and organic is beautiful …
- But scale and technology (inorganic) bring in bucks
- Geography is a given and it matters

- Given these issues how do we want to position Namibia’s agriculture to participate meaningfully
  - Have a strong external focus