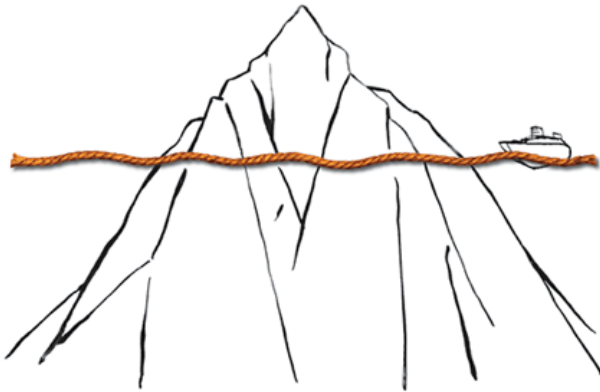


Seeing the big picture.



## RisCUpdate

### Namibian Overview

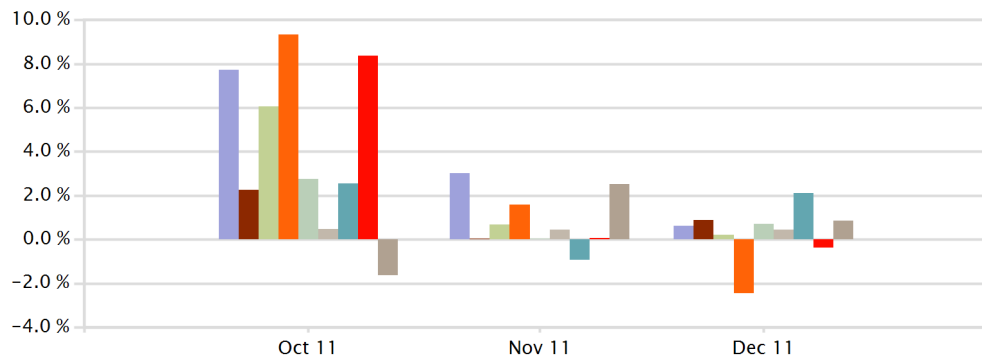
1 October 2011 – 31 December 2011

#### More Information:

**Werner Opperman** [wopperman@riscura.com](mailto:wopperman@riscura.com) +27 21 673 6999

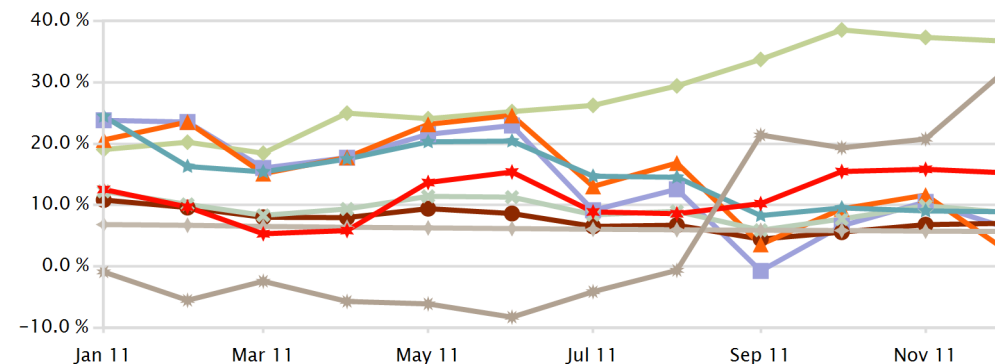
## How the different asset classes performed

### Asset class monthly returns



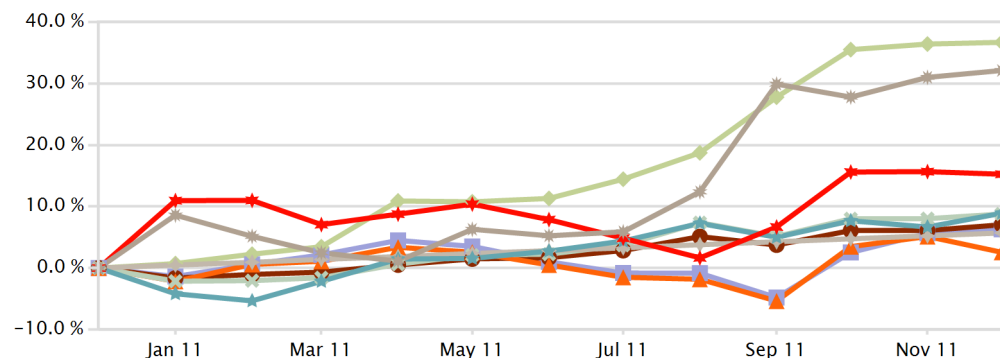
■ NA Equity    ■ NA Primary Listed Equity    ■ SA Bonds    ■ SA Property    ■ Foreign Bonds  
■ NA Bonds    ■ SA Equity    ■ SA Cash    ■ Foreign Equity

### Asset class rolling 12-month performance



— NA Equity    — NA Primary Listed Equity    — SA Bonds    — SA Property    — Foreign Bonds  
— NA Bonds    — SA Equity    — SA Cash    — Foreign Equity

### Asset class performance – year to date



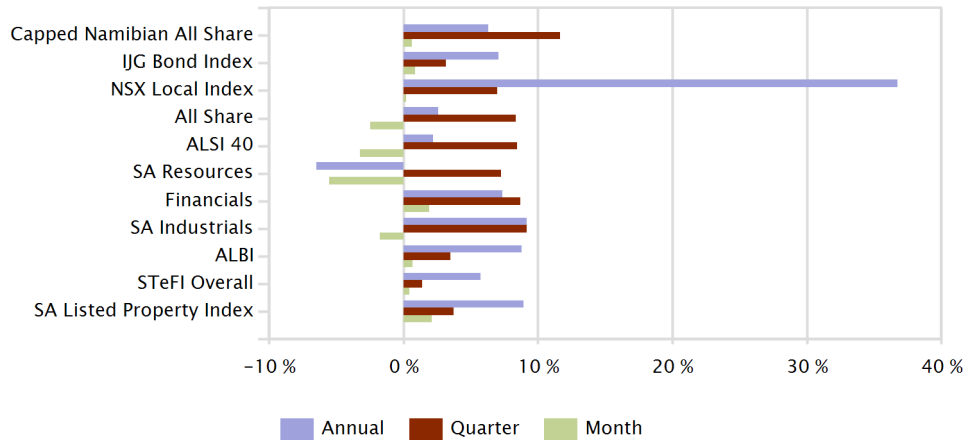
— NA Equity    — NA Primary Listed Equity    — SA Bonds    — SA Property    — Foreign Bonds  
— NA Bonds    — SA Equity    — SA Cash    — Foreign Equity

### Sector Indices

Asset Class	Index
NA Equity	Capped Namibian All Share
NA Bonds	IJG Bond Index
NA Primary Listed Equity	NSX Local Index
SA Equity	All Share Index
SA Bonds	ALBI
SA Cash	STeFI Overall
SA Property	SA Listed Property
Foreign Equity	MSCI World Index
Foreign Bonds	JPM Global Aggregate Bond Index

## How the local market indices performed

### Returns of FTSE/JSE/NSX sectors and indices

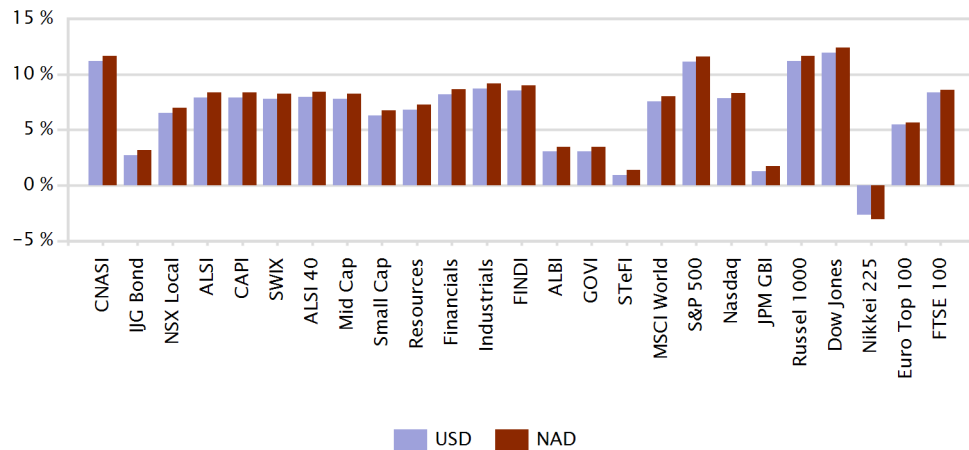


## How the currency performed

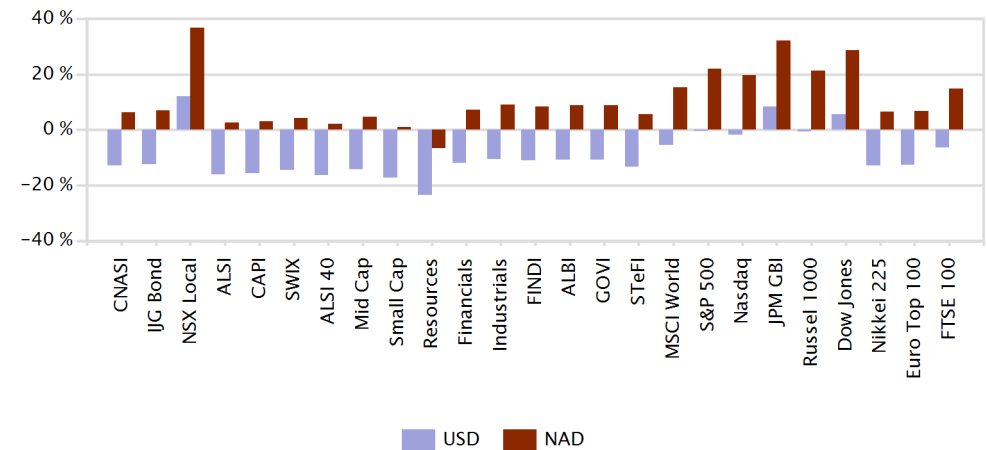
Description	Previous	Current	% Change
NAD/Dollar	8.04	8.07	0.43
NAD/Pound	12.54	12.53	-0.07
NAD/Euro	10.77	10.44	-3.09
Dollar/Euro	1.34	1.30	-3.25

## How the world market indices performed

### Quarterly return of major indices



### Annual return of major indices



## Market and Economic Update

### Local speaking

#### Background

- **Inflation:** Since the beginning of 2011 the Namibian inflation rate has accelerated. According to the NCPI, annual inflation for October increased to 6.1% y-o-y after slightly decreasing in September to 5.3% from 5.4% in August. The average 12-month inflation increased to 4.5%, up from a low of 3.8% in April but still slightly lower than October 2010 (5.1%).
- **Vehicle Sales:** Sales of new vehicles remain robust in Namibia. New vehicle sales remained strong in October, building on the previous months' momentum with a total of 1,164 units sold during the month, the second highest figure in the 15 year series. Only March 2011 was higher when 1,189 units were sold. Passenger vehicle sales showed an annual increase of 23.2% and a monthly increase of 10.8%. The turnaround in passenger vehicles could be a sign that supply is starting to return to normal levels after shortages were experienced following the tsunami disaster in Japan earlier in the year.
- **Money and banking statistics:** Private sector credit extension has remained resilient, growing by about 12% on average since February. According to the Bank of Namibia's money and banking statistics, total private sector credit extension declined slightly during October to 10.2% y-o-y growth from 11.4% in September. The decline was led by slower credit growth in the corporate sector, which declined to 7.6% y-o-y – the lowest figure seen since 2007. In contrast, individual credit grew by 11.5%, which is the fastest annual growth since February 2008. While the more volatile corporate credit growth has been higher than individual credit growth, it has stayed at around 14% growth since the beginning of 2010.
- **Windhoek building statistics:** The total value of approved plans in November was Namibian \$111m, reflecting a 10.9% m-o-m increase and a 20.5% y-o-y decrease. The monthly increase in the number of approved plans was due to increases in the "additions" and "commercial & industrial" categories, which were partially offset by a decline in the "flat & house" category.
- **Public finance:** Although the government has engaged its borrowing plan fairly aggressively, government spending has not followed accordingly. After 58% of the current budget cycle completed, the government has already raised 84% of the total requirement. It is evident that a significant portion of the debt was financed by shorter dated instruments, although the issuing of the 10 year Eurobond will increase the average duration.

#### Outlook

- **Exchange rate and global conditions:** As the Namibian economy is very open, the outlook for the economy is very dependent on the global and regional market place and exchange rate developments. In this regard we foresee marginal economic improvements both globally and regionally and due to the strong focus from global investors on risk aversion we foresee a weaker exchange rate which will be supportive for the local economy.
- **Domestic interest rates:** Monetary policy makers will continue to find a balance between supporting economic growth and managing increasing inflationary pressures. We do not foresee too strong upward inflationary pressures over the next 12 months and as a result we expect interest rates to remain unchanged for the most of 2012.
- **Inflation rate:** Although food and basic commodity prices are on the rise, global surplus production capacity will ensure that inflation will remain fairly stable over the short to medium term. As a result we foresee only a marginal increase in the inflation rate to about 8% at year-end with the average for the year around the 7.0% – 7.5% level.
- **Public sector:** The public sector is a very dominant sector in the Namibian economy and in previous years contributed significantly to economic growth. Due to the vibrant state of the global / regional economy in the mid-2000's, SACU receipts reached very high levels. This has enabled the government to spend large amounts of capital projects without increasing public debt levels. Unfortunately the situation has changed, with SACU receipts significantly lower and other revenue sources also under pressure. As the need for government to stimulate the economy with labour intensive projects is very high and also recognised, government intends to stimulate the economy significantly over the next few years. This will hopefully result in the creation of a large number of jobs. Unfortunately it will also result into significant growth in public debt and the government's share of the economy.
- **Economic growth:** The government will be the main driving force behind economic growth in 2012 with a significant portion of the budget allocation for stimulating the local economy still to be spent. Other developments in the mining and agricultural industries as well as on-going construction projects will result in above-average economic growth rate for 2012. We expect GDP growth to be between 5.5% and 6.0% for 2012, compared to an expected 4% for 2011 and 6.6% registered in 2010.