

# Namibia QER Q3 2019

Namibia Quarterly Economic Review

July-September 2019

Quarter Summary	News Highlights	Key Economic Variables	Data Trends	Special Feature
1	2	7	10	12

## Quarter Summary

### Macro Situation – forecasts for 2019 revised down

This year's economic developments have been overshadowed by the poor macroeconomic performance Namibia has suffered from since Q2 2016. The Bank of Namibia revised its GDP forecast for 2019 from modest positive growth of 0.3% to a contraction of 1.7%. This was lent support when the Namibia Statistics Agency released Q2 growth figures in September which estimated that the economy had contracted by a further 2.6% between April and June while the contraction between January and March was revised to 2.9%. These are severe contractions by historical standards. The IMF forecasts that the economy will shrink by 0.2% in 2019 after which it will start to expand by 1.6% in 2020 and a steady 3.0% thereafter. With the global economy weakening, lacklustre performance in Namibia's principal neighbours South Africa and Angola, non-mining private investment lacking and public finances in a parlous state, it is hard to see which elements of aggregate demand are going to pull Namibia's economy out of its current depressed state.

### Public Enterprises – will action finally be taken?

The current Cabinet has dithered over poorly performing public enterprises arguing that the Public Enterprises Governance Act needed to be put in place before action could be taken. The Act is now in place and key public enterprises and SOEs are reaching the point where continued bailouts can no longer be contemplated, if for no other reason than lack of finance. The most serious of these is arguably Air Namibia where Government finally seems to be reaching out to major international players to strike up partnerships which could help Air Namibia maintain its international route. Further Board changes have taken place as have discussions with US-based aircraft leasing company Castlake while the appointment of a new permanent CEO has also been put on ice. It is hard to believe that major decisions

will be taken in advance of elections in November but the situation is becoming ever more critical.

### Investment News – talking the talk and walking the walk

A key event during the quarter was Government’s two-day investment summit held at the end of July under the theme “Economic Revival for Inclusive Growth: Strengthening the Namibian House” and which the newly appointed High Level Panel (HLP) was instrumental in organising. Although the summit had been hastily put together, it did provide a focus for important announcements on outstanding policy issues such as the New Equitable Economic Empowerment Framework (NEEEF), the Namibia Investment Promotion Act (NIPA), the Central Procurement Board of Namibia, mining taxation and visa regulations. HLP Chair Johannes Gawaxab announced that pledges made at the conference had vastly exceeded the USD1bn target it had been set. On the face of it, these developments are to be welcomed but questions remain about the quality of the projects and pledges made as well as Government’s ability to turn them into real investments. In the aftermath of the summit, Nico Smit of the opposition Popular Democratic Movement (PDM) released a detailed and cogently argued piece critical of the whole event. It is hard not to be sceptical given the limited results of the previous summit in November 2016.

Events started coming to a head on the issue of marine phosphate mining with a large demonstration by workers in the fishing industry in Walvis Bay and clarifications by the Ministry of Environment and Tourism on where Government stands on the decision to issue an environmental clearance certificate. The issue pits an established industry that employs many thousands of people and a range of environmentalists against a significant new investor with influential shareholders and friends. The case is proving a test of Namibia’s legal system as well as Government’s ability to find a compromise in the face of what seems to be a stark trade-off.

## News Highlights

Date	Highlight	Commentary
25 September	Namibia launches visa on arrival for 27 countries (New Era)	The Ministry of Home Affairs and Immigration launched a visa on arrival for 47 countries, including 27 African countries, for tourism purposes which also includes visiting friends and relatives and medical trips.
21 September	Conservation tourists to be considered tourists (Xinhua)	The Ministry of Home Affairs and Immigration announced that conservation tourists would no longer have to apply for work visas but would be allowed in on normal tourist visas.
19 September	Ministry of Agriculture cancels moratorium on timber harvesting and transport (Xinhua)	The Ministry of Agriculture, Water and Forestry announced that it had cancelled the moratorium on timber harvesting and transport following consultation with stakeholders. The moratorium which took effect in April was triggered by illegal harvesting in the East and West Kavango and Zambezi regions.

19 September	NSA estimates that the economy contracted by 2.6% in Q2 2019 (NSA)	The Namibia Statistics Agency (NSA) released its preliminary national accounts for Q2 2019 which showed the economy contracted by 2.6%. The contraction in Q1 was revised from 2.0% to 2.9%. Namibia's economy has not experienced consecutive contractions of such magnitude before.
18 September	FlyWestair announces first international route (CGTN Africa)	FlyWestair, Westair Aviation's new scheduled passenger airline in Namibia, announced a new route between Eros Airport in Windhoek and Cape Town, South Africa, four days per week.
18 September	Ministry of Environment issues clarify over phosphate mining (MET)	The Ministry of Environment and Tourism issued a press statement documenting the various steps that have so far taken place in the process of granting a licence for phosphate mining and clarifying that approval has not yet been granted.
13 September	Air Namibia suspends search for new CEO (Windhoek Observer)	Air Namibia has suspended its search for a new CEO due to uncertainty over the future of the airline. The Air Namibia board was due to appoint Dutch national Lars de Brabander to take over from acting CEO Xavier Kasule who was appointed in March.
13 September	IMF sees growth of 1.6% in 2020 (Bloomberg)	The IMF has forecast growth of 1.6% for Namibia in 2020 after an expected contraction of 0.2% this year.
12 September	Namdeb sells Elizabeth Bay to Lewcor (Reuters)	Government and De Beers-owned Namdeb announced it had sold Elizabeth Bay mine to Lewcor, a 100% Namibian-owned family consortium in a transaction worth N\$120m, after the mine was put up for sale in February.
9 September	Fisheries workers protest against phosphate mining (The Namibian)	Over 1,000 people, mostly workers in the fishing industry, demonstrated in Walvis Bay against marine phosphate mining and urged Government not to grant prospective miners and environment clearance certificate.
8 September	SWAPO concludes its electoral list (The Namibian)	SWAPO concluded elections for its list of 96 candidates who will stand for the party at national elections later this year based on a 50/50 gender split. Most current SWAPO MPs maintained their position on the list. President Geingob will nominate an additional ten candidates at a later stage.
7 September	Chair and Vice-Chair of Air Namibia board resign (The Namibian and New Era)	Air Namibia announced that Advocate Deidre Sauls-Deckenbrock and Nangula Kauluma would resign on 5 September because "they are no longer in a position to avail the time commitment required for the discharge of their fiduciary duties to the company." Both had been appointed on 1 January 2019. Legal practitioner and GIPF governance advisor Escher Luanda was appointed chair from 9 September.
4 September	Capricorn acquires 30% stake in Paratus (ITWebAfrica)	Capricorn Investment Group, owner of Bank Windhoek, announced that it had acquired a 30% stake in pan-African telecoms group Paratus Africa Group for US\$17m (N\$252m).

3 September	South African GDP grows in Q2 2019 by an annual rate of 3.1% quarter-on-quarter (StatsSA)	Following a contraction of 3.1% in the first quarter, South African GDP grew by an annual rate of 3.1% quarter-on-quarter in Q2 2019.
27 August	Bank of Namibia cuts growth forecast for 2019 (Bank of Namibia)	The Bank of Namibia reduced its forecast for economic growth in 2019 to a contraction of 1.7% from the marginally positive growth of 0.3% earlier in the year.
24 August	Countries vote against Namibian rhino proposal (National Geographic)	Countries voted against decreasing protections for southern white rhinos at the 18 <sup>th</sup> Conference of the Parties for CITES, the wildlife trade treaty, in Geneva, Switzerland. Following the vote, Environment and Tourism Minister Pohamba Shifeta announced that Namibia would consult with other countries in southern Africa and consider withdrawing from CITES.
24 August	Prosecutor General confirms N\$600m lost from GIPF (The Namibian)	Prosecutor General Martha Imalwa announced that N\$600m from the Government Institutions Pension Fund invested in unlisted investments prior to 2004 is lost and will not be further investigated due to lost documents, forgetful officials and lack of evidence.
19 August	Rwandan President Kagame makes state visit (The New Times)	Rwandan President Paul Kagame made a three-day state visit to Namibia aimed at deepening bilateral ties. Historically, Namibia has had cool relations with Rwanda since the two countries were on opposing side in the DRC conflict 20 years ago.
14 August	Old age pensions increased (Xinhua)	The Ministry of Poverty Eradication and Social Welfare announced that the old age pension would be increased from N\$1,250 to N\$1,350 a month in September.
14 August	Bank of Namibia cuts repo to 6.50% (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee cut the repo rate from 6.75% to 6.50% following signs of weaker than expected growth and the South African Reserve Bank's actions in July. This is the first change since August 2017.
12 August	Namibia charcoal industry booming (New Era)	At the Biomass Technology Expo in Otjiwa which drew 120 exhibitors and 1,400 visitors, Michael Dege of the Namibian Charcoal Association (NCA) said that Namibia's charcoal industry is booming and due to grow further.
12 August	Namibia becomes signatory to OECD tax avoidance initiative (The Namibian)	Namibia became the 134 <sup>th</sup> to join the group enacting the OECD project on tax base erosion and profit shifting (BEPS) which was started in 2012 to combat harmful tax practices by multinational companies.
7 August	President Geingob seeks immediate solution to phosphate mining impasse (The Namibian)	President Geingob was reported to be applying pressure on Cabinet colleagues to reach a decision on phosphate mining demanding an "immediate solution" despite the ongoing court case.
7 August	Public Enterprises Minister in US to negotiate end to lease deals (The Namibian)	Public Enterprises Minister Leon Jooste travelled to the US to negotiate an early exit from lease deals for Air Namibia aircraft from lessor Castlelake as a prelude to closure of the national airline which could cost the Government N\$2.5bn. This comes two months after Finance Minister Calle Schlettwein reportedly submitted

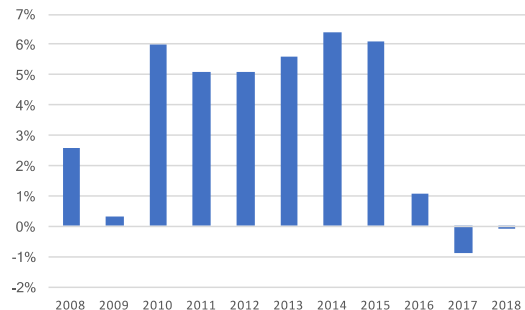
		a paper to Cabinet Committee on Treasury entitled “Non-Sustainability of Air Namibia” outlining why the airline should be shut down. According to this document government pumped N\$8.3bn into Air Namibia from 1999 to 2019.
6 August	Otjikoto exceeds production target for Q2 2019 (B2Gold)	B2Gold reported that its Otjikoto gold mine produced 37,421 ounces of gold in Q2 2019, exceeding its production target due to slightly higher throughput and recoveries.
2 August	President Geingob inaugurates new port terminal (China.org.cn)	President Hage Geingob inaugurated a new US\$400m container port terminal at Walvis Bay built by China Harbour Engineering Company on reclaimed land and designed to allow the port to handle 750,000 containers a year and help Namibia become a major logistics hub in southern Africa.
1 August	Investment summit concluded (The Namibian)	Government’s two-day investment summit held under the theme “Economic Revival for Inclusive Growth: Strengthening the Namibian House” concluded with N\$20bn worth of investments pledged according to High Level Panel Chair Johannes Gawaxab.
25 July	Rio Tinto officially hands over Rossing uranium mine (FOCAC)	Rio Tinto formally handed over Rossing uranium mine to its new majority shareholder China National Nuclear Corporation (CNNC) thus completing the sale that it announced in November 2018.
24 July	NamPower announces renewable energy plans (Bloomberg)	At the launch of its 2019-23 business plan, NamPower announced a 5-year programme to build four renewable energy power plants costing N\$4.7bn (US\$338m) involving biomass, solar and wind energy generating 220MW.
23 July	Namibia will renegotiate double taxation agreements (The Namibian)	Finance Minister Calle Schlettwein confirmed that Namibia is planning to renegotiate its existing 11 double taxation agreements to tighten up on tax loopholes starting with Mauritius.
19 July	Namibian Marine Phosphate takes government to court (The Namibian)	Namibian Marine Phosphate (NMP) is suing the Minister of Environment and other government officials in an attempt to be issued with the Environmental Clearance Certificate it needs to allow it to start mining. NMP first made its application in April 2012 and was granted a certificate in September 2016 by the then Environmental Commissioner. However, this was put aside twice by Environment Minister Pohamba Shifeta despite being overruled by the High Court in May 2018.
18 July	Namdeb produces 385,000 carats in Q2 (AA)	Anglo American reported that Namdeb Holdings produced 385,000 carats of rough diamonds in Q2 2019 compared to 483,000 carats in Q1 2019 driven partly by Elizabeth Bay transitioning onto care and maintenance and planned maintenance for the Mafuta crawler vessel.
18 July	Namibia assumes chair of SACU (The Namibian)	Namibia took over the chair of the Southern African Customs Union (SACU) from Lesotho.

8 July	26 poaching incidents recorded since January (Xinhua)	The Ministry of Environment and Tourism recorded 26 incidents of poaching since January, seven elephants and 19 rhinos.
8 July	Minister found guilty of corruption (The Namibian)	Education, Arts and Culture Minister Katrina Hanse-Himarwa was found guilty by the High Court of corruption and corruptly using her office for gratification. Hanse-Himarwa had put relatives on a list of housing beneficiaries under a government mass housing scheme while Governor of the Hardap Region in 2014. This is the first time such a high-ranking government representative has been found guilty of corruption since Independence in 1990. She resigned from her post as Minister on 9 July and was replaced by Martin Andjaba. She was eventually sentenced to pay a N\$50,000 fine.
8 July	Cabinet instructs NPTH to purchase RCC head office (The Namibian)	Cabinet has instructed Namibia Post and Telecommunications Holdings (NPTH), the holding company of MTC and Telecom Namibia, to purchase the head office of the Roads Contractor Company (RCC) for an estimated N\$104m to prevent the property being repossessed by Bank Windhoek due to non-payment of the mortgage.
4 July	NAC claims Air Namibia owes it N\$522m in user fees (The Namibian)	Newly-appointed CEO of the Namibia Airports Company (NAC) Bisey /Uirab told the Parliamentary Standing Committee on Economics and Public Administration that Air Namibia owed it N\$522m and that this backlog made it hard for the NAC to maintain infrastructure and raise loans for new investment.
2 July	TeraSun Energy announces US\$62.3m investment in 50MW PV plant (PV Magazine)	TeraSun Energy has announced it will commence building a new 50MW solar PV plant at Arandis in Q1 2020 and sign PPAs with private off-takers for terms ranging from five to 15 years.
1 July	NUNW condemns sale of Erindi to foreign investor (The Namibian)	Petrus Nevonga, General Secretary of the Public Workers Union speaking on behalf of Namibia's largest trade union federation, the National Union of Namibian Workers (NUNW), condemned the sale of the 65,000 hectare Erindi private game reserve to Mexican billionaire Alberto Baillères and called on government to cancel the sale.



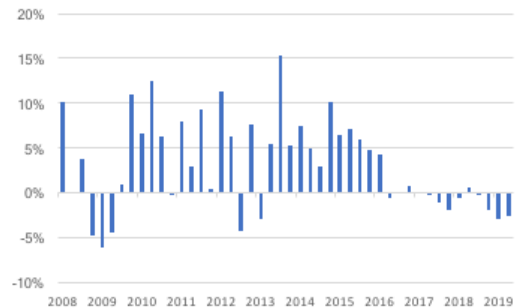
## Key Economic Variables

### GDP Growth (%)



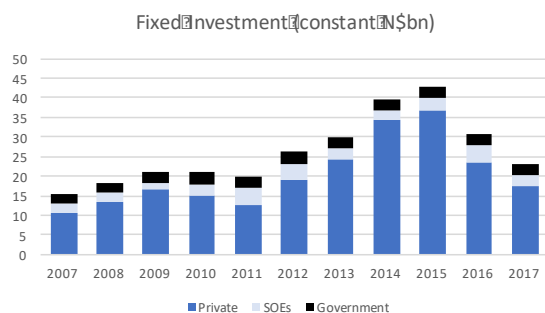
Preliminary national accounts suggest that the economy contracted by 0.1% in 2018, compared to -0.9% in 2017. Growth in 2016 was revised up to 1.1% from the previous estimate of 0.6%.

### GDP Quarterly Growth (%)



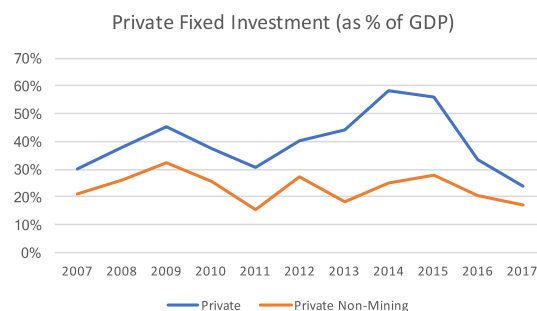
Quarterly growth crashed in Q2 2016 and has not recovered since. The latest estimates show GDP contracted by 2.6% in Q2 2019 while the contraction experienced in the first quarter of the year was revised from -2.0% to -2.9%.

### Fixed Investment (N\$bn in 2010 prices)

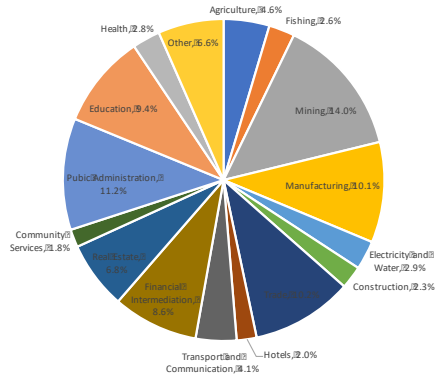


Investment, driven by strong private investment, rose significantly after 2011 but peaked in 2015 and has since returned to previous levels. These figures will be updated once the full national accounts are available for 2018.

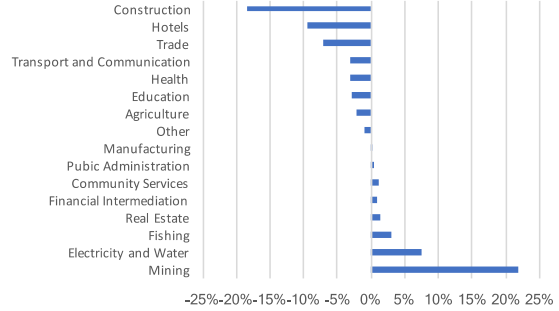
### Private Fixed Investment (% of GDP)



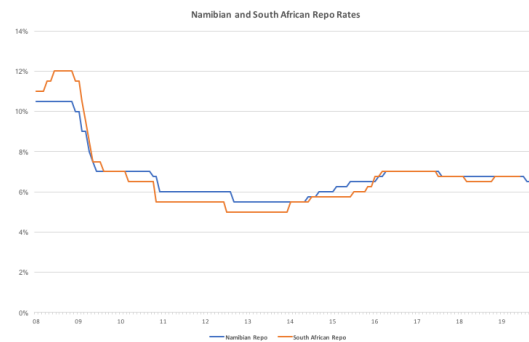
Strong private investment has been driven by investment in mining. Both mining and non-mining private investment as a proportion of GDP have declined since 2015. These figures will be updated once the full national accounts are available for 2018.

**Sectoral Breakdown of GDP in 2018 (%)**


The chart shows the contributions made to overall economic activity in 2018 by the different sectors of the economy. Service sectors contributed 56.9% while primary and secondary sectors contributed 21.2% and 15.3% respectively.

**Sectoral Growth in 2018 (%)**


While output from the Mining and Electricity & Water sectors grew strongly in 2018, output declined significantly in a wide range of sectors with Construction again being particularly hard hit.

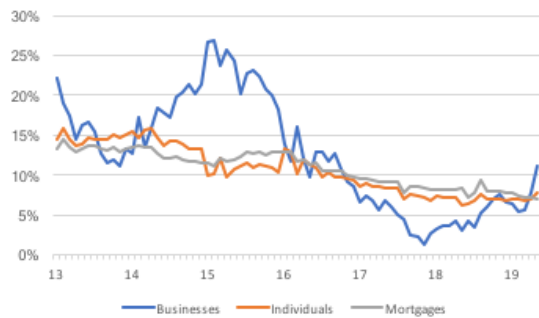
**Namibian and SA Repo Rates (%)**


The Bank of Namibia's repo rate has been 6.75% since August 2017 but the latest Monetary Policy Committee (MPC) meeting on 13 August 2019 agreed on a modest cut to 6.50% to bring it into line with the corresponding rate in South Africa. The next MPC meeting is due on 23 October 2019.

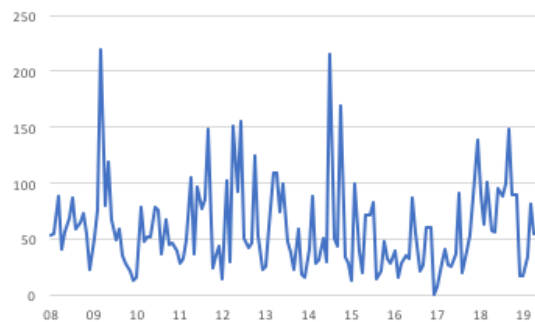
**Namibian and SA Inflation (% y-o-y)**


Namibian consumer inflation started to rise steadily from 3.6% at the beginning of 2018 to peak at 5.6% in November since which point it has subsided reaching 3.7% in August 2019.

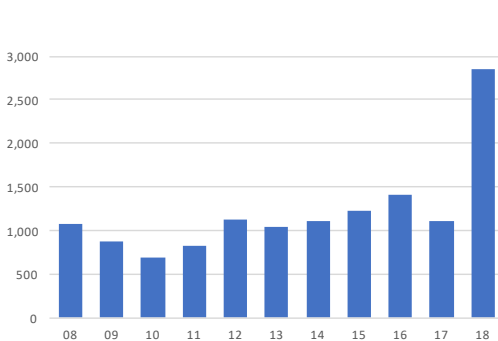


**Private Sector Credit Extension (% y-o-y)**


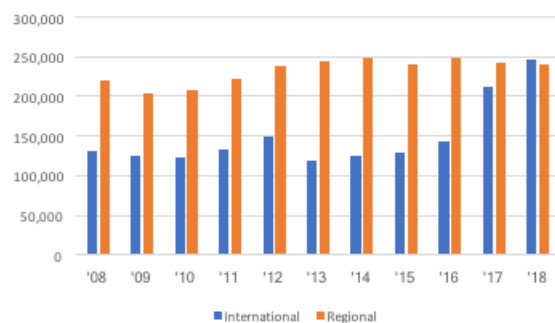
Credit growth to domestic businesses fell steadily from a peak in 2015 to a trough towards the end of 2017 but has since recovered reaching 11.2% in May 2019. At the same time credit growth to households including residential mortgages has fallen steadily to 7.8% and 6.9% at the end of May 2019.

**Building Plans Completed (N\$bn)**


The value of building plans completed in Windhoek has risen in nominal terms since the beginning of 2017 and this rise continued throughout 2018 but has not been sustained during the first five months of 2019.

**Company Registrations**


Registrations of Pty (Ltd) companies dipped in 2017 as the economy weakened but spiked in 2018, primarily due to the registration of new companies in advance of fishing rights being allocated.

**Passenger Arrivals at HKIA**


At 246,717 in 2018, international arrivals to Hosea Kutako International Airport (HKIA) were 15.9% higher than in 2017 while regional arrivals were 1.1% lower at 239,485. Last year international arrivals surpassed regional arrivals for the first time.

## Data Trends

	Unit	2013	2014	2015	2016	2017	2018
<b>Annual Economic Growth</b>							
GDP	%	5.6%	6.4%	6.1%	1.1%	-0.9%	-0.1%
GDP current prices	N\$m	122,792	138,763	150,083	166,006	180,605	192,138
Change in Mining Value Added	%	1.7%	-6.0%	-4.9%	-3.2%	13.3%	22.0%
Change in Manufacturing Value Added	%	4.4%	-0.1%	-4.3%	5.6%	1.9%	0.2%
<b>Fixed Investment</b>							
Fixed Investment	% of GDP	26.5%	33.4%	33.3%	22.4%	15.7%	12.6%
Change in Fixed Investment	%	13.5%	33.7%	7.9%	-28.6%	-24.2%	-14.1%
Fixed Investment - Government	'000 N\$m	4,926	7,411	9,473	8,233	6,380	n/a
Fixed Investment - SOEs	'000 N\$m	2,955	2,852	3,867	5,142	4,316	n/a
Fixed Investment - Private	'000 N\$m	24,684	36,107	36,692	23,824	17,600	n/a
<b>Prices and Interest Rates</b>							
Average Inflation	%	5.6%	5.4%	3.4%	6.7%	6.2%	4.3%
Year End Prime Lending Rate	%	9.25%	9.75%	10.25%	10.75%	10.50%	10.50%
Year End Repo Rate	%	5.50%	6.00%	6.50%	7.00%	6.75%	6.75%
<b>Trade and Balance of Payments</b>							
Exports - total goods	N\$bn	44.8	46.7	50.7	61.7	61.0	67.2
Exports - total services	N\$bn	5.8	7.0	7.0	6.5	6.7	7.2
Imports - total goods	N\$bn	66.9	81.4	96.8	97.6	79.8	82.3
Imports - total services	N\$bn	4.4	6.6	6.3	5.6	4.4	4.1
Trade Balance	N\$bn	-20.7	-34.3	-45.5	-35.0	-16.5	-11.9
Balance of Payments	N\$bn	-6.3	-15.8	-27.2	-22.1	-10.7	-5.5
as % of GDP	%	-4.1%	-10.3%	-17.0%	-12.1%	-4.8%	-1.9%
<b>Foreign Exchange</b>							
Year End Exchange Rate (N\$ to USD)	N\$	10.4499	11.5616	15.5553	13.6240	12.3930	14.4116
Year End Exchange Rate (N\$ to EUR)	N\$	14.4208	14.0532	16.9997	14.3403	14.8063	16.4848
Year End Exchange Rate (N\$ to GBP)	N\$	17.2366	17.9932	23.0652	16.7264	16.6789	18.3424
Foreign Exchange Reserves	N\$bn	15.7	13.5	23.6	24.7	30.2	31.0
<b>Financial Sector</b>							
Private Sector Credit Extension Growth	%	14.3%	16.4%	13.5%	8.9%	5.1%	6.6%
Non-Performing Loans	% of total loans	1.3%	2.1%	2.2%	2.5%	2.9%	3.6%
NSX Overall Index	Index	997	1,098	865	1,069	1,206	1,303
NSX Local Index	Index	332	389	498	547	591	621
New Local Listings		1	0	0	0	1	0
<b>Business Indicators</b>							
Namdeb Diamond Production	'000 carats	n/a	1,886	1,764	1,573	1,805	2,008
Uranium Production	tonnes	4,327	3,255	2,994	3,654	4,224	5,525
Gold Production	kg	1,795	2,140	6,009	6,604	7,272	6,171
Mining Licences Granted	number	0	3	0	1	2	3
Exploration Licences Granted	number	395	138	56	142	174	259
Number of Companies Formed	number	1,043	1,112	1,226	1,409	1,110	2,851
Tourist Arrivals	'000	1176	1320	1388	1469	1499	n/a
- From Africa	'000	913	1029	1083	1094	1091	n/a
- From Europe	'000	200	222	234	295	312	n/a
- From RoW	'000	64	69	71	81	97	n/a
International Arrivals at HKIA	'000	118	125	128	143	213	247
Regional Arrivals at HKIA	'000	245	249	239	248	242	239

		2013	2014	2015	2016	2017	2018	
<b>Employment</b>								
Government		82,844	95,873	n/a	88,421	n/a	86,587	
Parastatals		30,253	32,983	n/a	25,558	n/a	30,654	
Private Companies		231,703	245,437	n/a	235,877	n/a	214,693	
Private Households		92,555	105,460	n/a	136,417	n/a	70,036	
Total		437,355	479,753	n/a	486,273	n/a	401,970	
<b>Government Finances</b>								
		FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Revenue	N\$bn	41.9	49.9	52.2	50.9	56.7	56.7	58.4
Expenditure	N\$bn	46.7	58.7	64.6	62.2	67.5	64.3	66.5
Balance	N\$bn	-4.8	-8.8	-12.4	-11.4	-8.9	-7.6	-8.2
Public Debt	N\$bn	30.9	35.9	59.8	69.9	74.5	87.1	96.3
Interest Payments	N\$bn	1.8	2.1	2.6	4.3	5.4	5.8	6.4
Public Guarantees	N\$bn	7.4	6.4	6.5	6.4	11.0	14.8	11.1
Revenue	% of GDP	33.0%	35.4%	34.6%	30.2%	32.0%	30.2%	29.7%
Expenditure	% of GDP	36.8%	41.6%	42.8%	36.9%	36.8%	34.2%	33.8%
Balance	% of GDP	-3.8%	-6.2%	-8.2%	-6.7%	-4.8%	-4.0%	-4.1%
Public Debt	% of GDP	24.3%	25.5%	39.6%	41.5%	40.6%	46.3%	48.9%
Interest Payments	% of GDP	4.3%	4.1%	5.0%	8.5%	9.3%	10.2%	11.0%
Public Guarantees	% of GDP	5.8%	4.5%	4.3%	3.8%	6.0%	7.9%	5.6%
<b>International Rankings</b>								
		2013	2014	2015	2016	2017	2018	2019
Global Competitiveness Index Ranking		90/148	88/144	85/140	84/135	99/135	100/140	
Global Competitiveness Index		3.9	4.0	4.0	4.0	4.0	4.0	
Ease of Doing Business Ranking		87/185	98/189	88/189	104/189	108/190	106/190	107/190
Ease of Doing Business Index		n/a	61.15	57.16	59.61	59.57	60.29	60.53
Corruption Perceptions Index Ranking				45/168		53/180	52/180	
Corruption Perceptions Index		48	49	53	52	51	53	
Ibrahim Index of African Governance		69.5	70.3	70.4	69.3	71.2	68.6	
Ibrahim Index of African Governance Ranking		6/52	6/52	5/54	5/54	5/54	4/54	
Investment Attractiveness Index		68.97	76.37	69.78	66.11	60.67	56.66	
Investment Attractiveness Index Ranking		35/112	21/122	33/109	53/104	54/91	60/83	
Open Budget Index (out of 100)		55*	n/a	46	n/a	50	n/a	
World Press Freedom Index - Ranking		19/180	22/180	17/180	17/180	24/180	26/180	23/180

Sources: Anglo American, Bank of Namibia, Business and Intellectual Property Authority, Chamber of Mines of Namibia, Fraser Institute, International Budget Partnership, Ministry of Environment and Tourism, Ministry of Finance, Mo Ibrahim Foundation, Namibia Airports Company, Namibia Statistics Agency, Namibian Stock Exchange, Reporters Without Frontiers, Transparency International, World Bank, World Economic Forum, World Nuclear Association

## Special Feature

### Just for the Record – Namibia’s Economic Policy and Performance since 2015

#### Timeline: Selected Economic Developments March 2015 to September 2019

Year	Month	Event
2015	March	19 March new Cabinet announced Calle Schlettwein appointed Minister of Finance
		31 March New Minister of Finance tables Budget targeting deficit of 5.3% of GDP which ends up at 8.2% of GDP
	April	
	May	
	June	5 June President Geingob inaugurates Otjikoto gold mine
	July	
	August	
	September	Otjihase and Matchless mines placed under care and maintenance
	October	29 October Namibia issues US\$750m Eurobond
	November	Minister of Finance tables first Mid-Term Budget Review
	December	
	2016	January
February		Draft NEEEF Bill circulated
		25 February Minister of Finance tables Budget targeting deficit of 3.0% of GDP which ends up at 6.7% of GDP
March		
April		5 April President Geingob launches Harambee Prosperity Plan (HPP)
May		
June		2 June Export Levy Act passed
		30 June President Geingob declares National Drought Emergency
July		
August		31 August Namibia Investment Promotion Act passed
September		
October		27 October Minister of Finance tables Mid-Term Budget Review
November	8-9 November Namibia hosts investment conference	
December		
2017	January	
	February	
	March	8 March Minister of Finance tables Budget targeting deficit of 3.5% of GDP which ends up at 4.8% of GDP
	April	1 April civil servants receive 9% salary increase
		13 April President Geingob states that businesses will have to cede 25% of their ownership to previously disadvantaged Namibians
May		

	June	9 June Public Private Partnership Act passed
	July	11 July SME Bank placed in provisional liquidation
	August	11 August Moody's downgrades Namibia to junk status
	September	
	October	
	November	2 November Minister of Finance tables Mid-Term Budget Review 20 November Fitch Ratings downgrades Namibia to junk status
	December	
2018	January	
	February	
	March	7 March Minister of Finance tables Budget targeting deficit of 4.5% of GDP which ends up at 4.0% of GDP 7 March Minister of Finance announces EPZ Act will be repealed and replaced by Special Economic Zones
	April	10 April President Geingob rejects claims linking him to French corruption probe of sale of UraMin to Orano SA (then Areva) 11 April President Geingob states that 25% ownership clause in NEEEF Bill has been removed
	May	Langer Heinrich Uranium placed under care and maintenance
	June	
	July	12 July Namibia signs N\$3bn loan from African Development Bank
	August	
	September	
	October	2 October Second National Land Conference takes place 23 October Neckartal dam construction completed 24 October Minister of Finance tables Mid-Term Budget Review 29 October Minister of Mines and Energy removes Namibianisation requirement Whale Rock Cement commissions new US\$350m cement plant
	November	EU removes Namibia from tax blacklist Okanjande graphite mine placed under care and maintenance
	December	Minister of Finance says Rand peg is being evaluated Peugeot plant opened in Walvis Bay
2019	January	
	February	
	March	1 March Court-sanctioned enquiry into collapse of SME Bank begins 12 March Presidential Advisor Dr John Steytler resigns 12 March Schwenk announces intention to sell Ohorongo stake 26 March President appoints High Level Panel 27 March Minister of Finance tables Budget
	April	8 April President commits to Rand peg 15 April Public Enterprises Governance Act promulgated
	May	6 May President declares National Drought Emergency 7 May Minister of Mines and Energy lifts uranium moratorium

	June	
	July	16 July Rossing sold by Rio Tinto to CNUC 31 July two-day economic growth summit takes place
	August	High Level Panel recommendations 2 August President inaugurates new container terminal
	September	12 September Namdeb sells Elizabeth Bay to Lewcor

In the run-up to elections on 27 November 2019, it is useful to take stock of economic developments since the start of President Geingob's tenure in office on 21 March 2015. This will briefly summarise developments in the following areas:

1. The International Economic Environment
2. Monetary and Fiscal Policy
3. Other Domestic Policies
4. Domestic Economic Performance
5. International Rankings

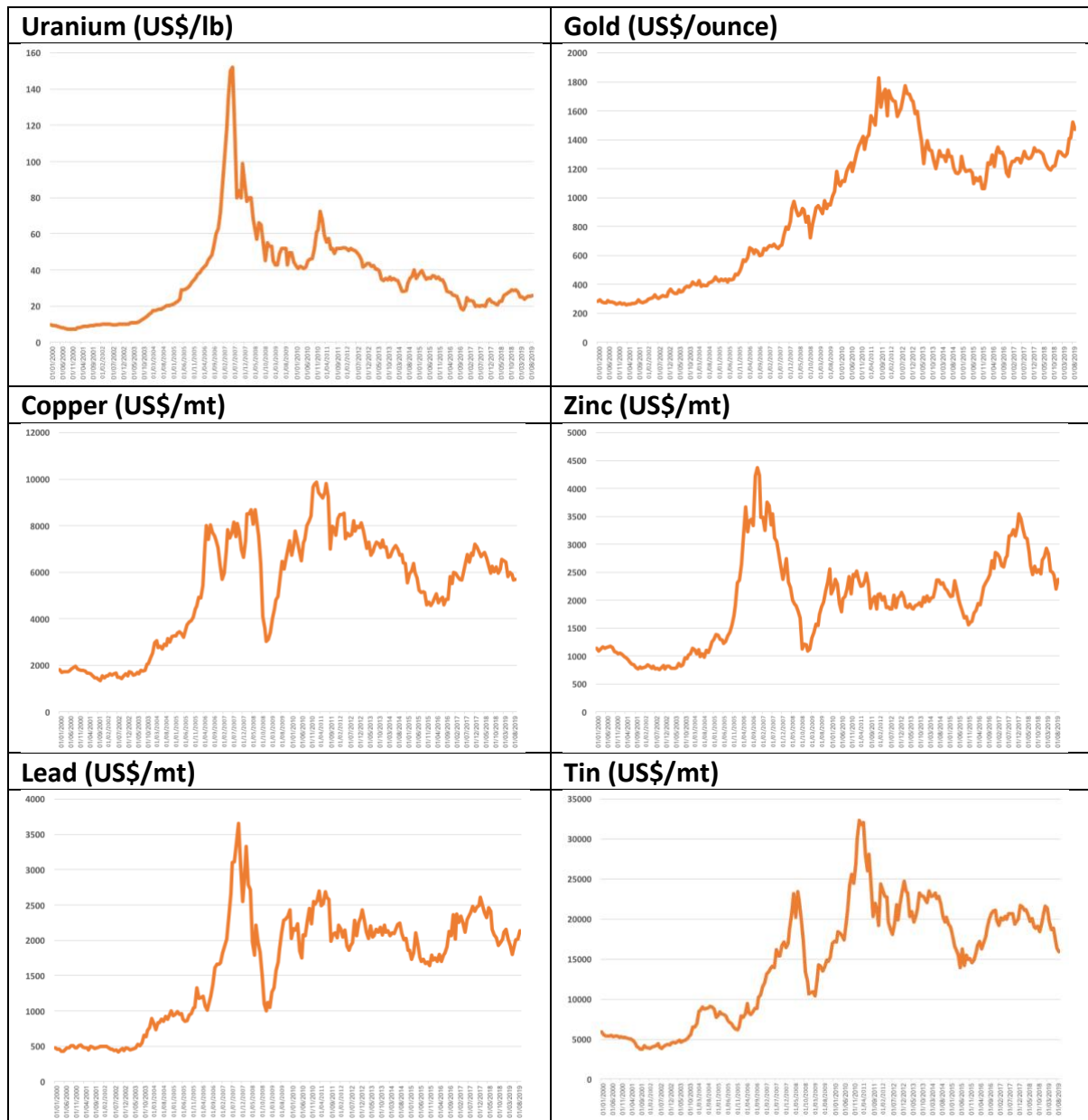
### International Economic Environment

President Geingob's term of office commenced six years after the global economic crisis that did so much to damage growth in key global economies. Growth in many high-income countries had resumed and the public debt that had accumulated as a result of the crisis had started to level off and even decline. However, the Eurozone continued to suffer from low growth. China, which has steadily become one of Namibia's key export markets continued to grow strongly but growth started to level off as the country progressed through middle income status. Importantly, Namibia's neighbours South Africa and Angola have performed especially poorly over the period 2015-2019 and this was bound to impact Namibia.

**Table 1: Selected International Growth Rates**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-2.5	2.6	1.6	2.2	1.8	2.5	2.9	1.6	2.2	2.9	2.3
Eurozone	-4.5	2.1	1.6	-0.9	-0.2	1.4	2.1	2.0	2.4	1.8	1.3
UK	-4.2	1.7	1.6	1.4	2.0	2.9	2.3	1.8	1.8	1.4	1.2
Brazil	-0.1	7.5	4.0	1.9	3.0	0.5	-3.5	-3.3	1.1	1.1	2.1
India	8.5	10.3	6.6	5.5	6.4	7.4	8.0	8.2	7.2	7.1	7.3
China	9.2	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.8	6.6	6.3
SSA	3.4	6.9	4.8	3.7	5.1	5.1	3.1	1.4	2.9	2.8	3.3
South Africa	-1.5	3.0	3.3	2.2	2.5	1.8	1.2	0.4	1.4	0.8	1.2
Angola	0.9	4.9	3.5	8.5	5.0	4.8	0.9	-2.6	-0.2	-1.7	0.4



**Chart 1: Selected Mineral Prices (2000-2019)**


Source: LME

Namibia remains highly dependent on its mining sector and mineral prices have a significant impact on the important domestic mining sector, mining exploration activity and all the various multiplier effects that these give rise to. Following the Fukushima disaster in March 2011 uranium prices plunged and have remained low with prices declining further between March 2015 and September 2019 and staying within a band of US\$20-25 per pound. Gold prices first declined and then rose sharply up breaching US\$1,500 per ounce in August and September 2019. Copper prices first fell and then rose before falling again to below US\$6,000 per tonne. A similar pattern is evident with zinc and lead which ended the period



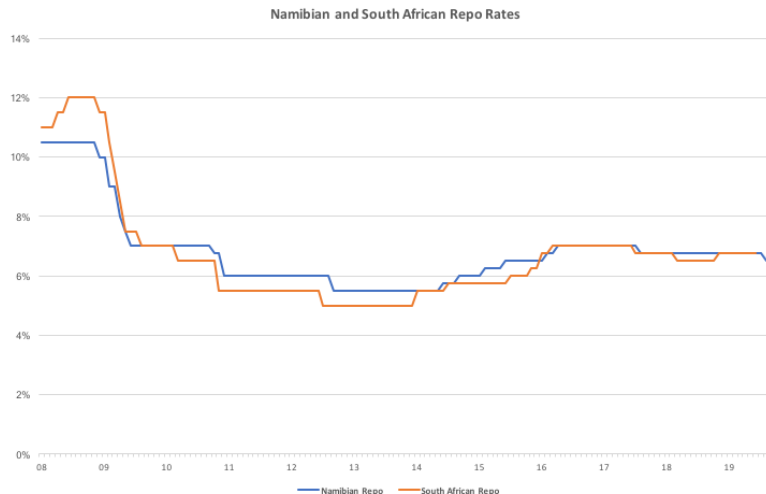
at around US\$2,500 per tonne and US\$1,800 per tonne respectively. Tin prices have remained relatively stable around US\$20,000 per tonne. The overall picture is mixed but uranium, one of Namibia’s key minerals, has certainly not performed well. There has not been a minerals boom of the kind seen in the noughties from which a country like Namibia stands to benefit greatly.

In summary, the global economic environment has been reasonably supportive of growth in Namibia. There has been no second global crisis but also no growth strong enough to give rise to a minerals boom from which Namibia could benefit.

### Monetary and Fiscal Policy

In a global low interest rate environment and with weak growth in South Africa, monetary policy was relatively passive and uncontroversial during the period. Whilst at first it looked as if the economic conditions were starting to normalise following the fallout from the global crisis prompting Namibia’s repo rate to start rising modestly from the low of 5.5% which prevailed throughout 2013 and 2014 to 7.0% in April 2016. However, as growth in South Africa and then Namibia faltered, interest rates also levelled off and the Bank of Namibia cut the repo to 6.75% in August 2017 and then to 6.50% in August 2019.

**Chart 2: Namibian and South African Repo Rates (January 2008- September 2019)**



Source: Bank of Namibia, South African Reserve Bank

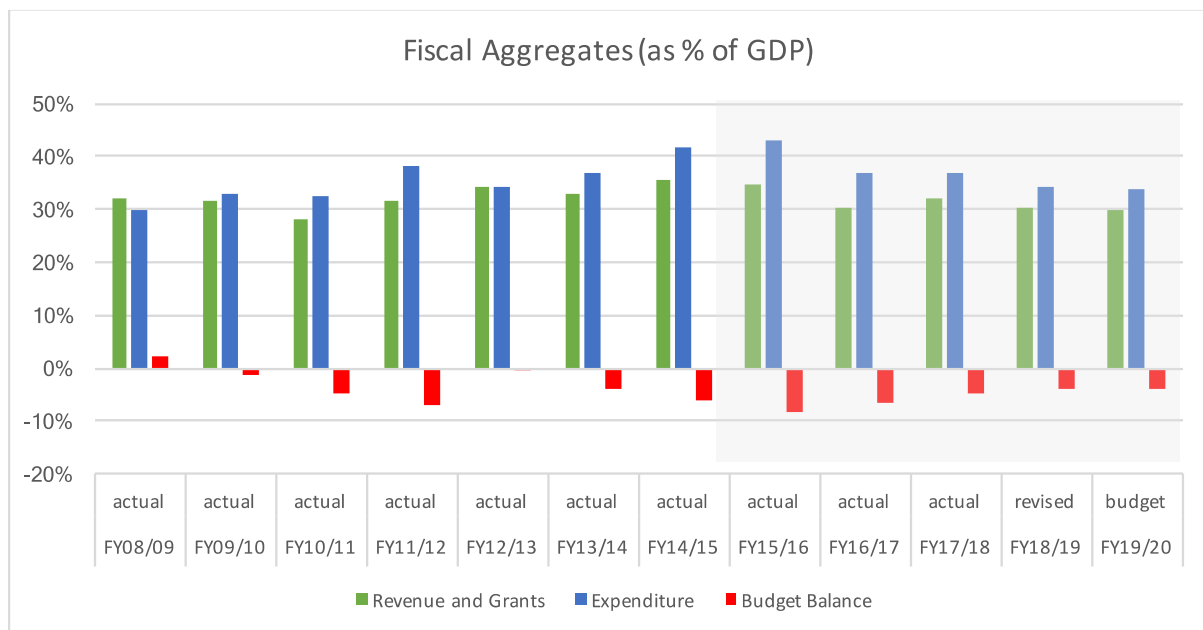
Fiscal policy has been the area of policy where many of the most important developments of the period have taken place and a more detailed discussion of the current fiscal situation was provided in the Namibia QER Q1 2019. Newly-appointed Minister Schlettwein made a welcome innovation to Namibia’s budget cycle by introducing a Mid-Term Budget Review in November 2015. Shortly after the new Cabinet was appointed, Schlettwein tabled a budget which resulted in the budget deficit reaching 8.2% of GDP. As the economy slowed, revenues plunged and expenditure had to be restrained in order to retain control of the

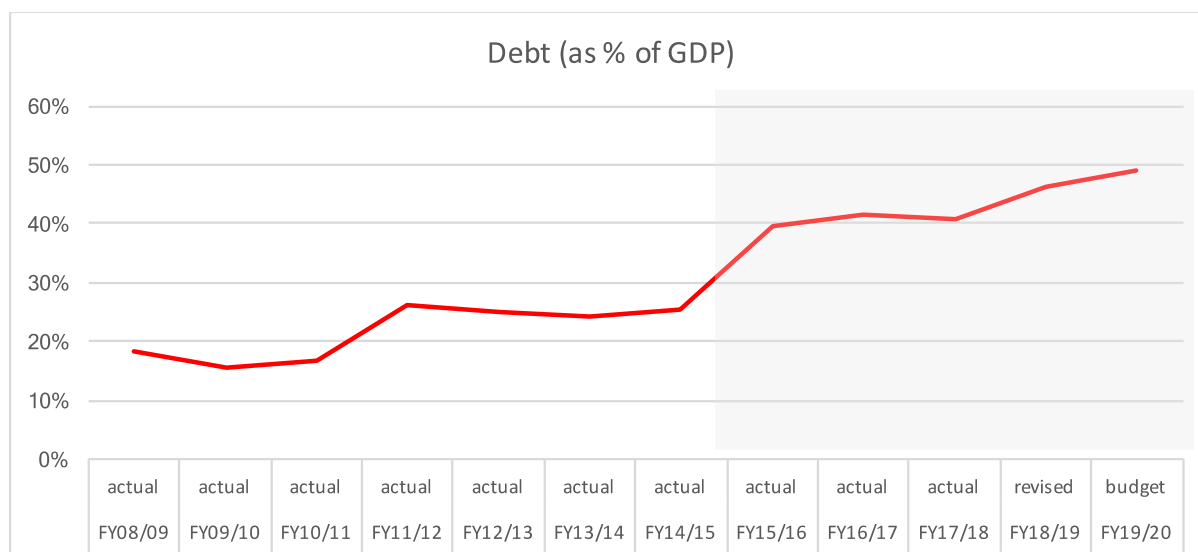
budget deficit. Public debt rocketed and is set to reach an unprecedented 49% of GDP by the end of FY 2019/20.

**Table 2: Key Fiscal Aggregates (as % of GDP)**

	FY14/15 actual	FY15/16 actual	FY16/17 actual	FY17/18 actual	FY18/19 revised	FY19/20 budget
Revenue and Grants	35.4%	34.6%	30.2%	32.0%	30.2%	29.7%
Expenditure	41.6%	42.8%	36.9%	36.8%	34.2%	33.8%
Budget Balance	-6.2%	-8.2%	-6.7%	-4.8%	-4.0%	-4.1%
Debt	25.5%	39.6%	41.5%	40.6%	46.3%	48.9%
Interest Payments	4.1%	5.0%	8.5%	9.3%	10.2%	11.0%
Guarantees	4.5%	4.3%	3.8%	6.0%	7.9%	5.6%

Source: Fiscal Strategy Documents





The deteriorating fiscal situation resulted in Government drastically cutting public investment which in turn had a severe knock-on effect on the construction industry. The table below shows that public investment (as proxied by development expenditure) was cut dramatically after 2015/16 and has remained low. The parlous state of the public finances also led to widespread uncertainty about public sector salaries being paid including to the Namibia Defence Force (NDF), something which has not happened since Independence. These were put down to “technical hitches” but had the effect of bringing public finance to people’s attention in a very direct way.

**Table 3: Development Expenditure**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	Actual	Actual	Actual	Revised	Budget
Development expenditure	9,959	6,619	5,605	7,039	7,906
GDP	150,984	168,562	183,488	187,896	196,775
	6.6%	3.9%	3.1%	3.7%	4.0%

Source: Budget documents

### Other Domestic Policies

A survey of policies and legislation introduced since March 2015 suggests little in the way of radical reform and more of a steady as she goes approach to policy very much in line with SWAPO’s track record since 1990. Four initiatives should be singled out:

In February 2016, Prime Minister Sara Kuugongelwa-Amadhila released a **draft NEEEF Bill** containing swingeing measures such as obliging all private companies to cede 25% of their equity to previously disadvantaged Namibians. This came as an unwelcome shock to much of the private sector, especially foreign investors, as the legislation would have had profound consequences for business large and small, local and foreign. Government wisely

decided not to press ahead with the Bill without further consultation but, as with so many of Government's policy pronouncements, uncertainty over whether and how the legislation would be finalised was left unclear until economic circumstances and the "Growth Summit" held at the end of July 2019 pronounced that "the compulsory 25% equity has been removed, something which President Geingob had already announced in his 2018 State of the Nation Address. However, all Pillars will remain and will be taken into account for enterprises doing business with Government and applying for natural resources licensing." One effect this will have is that if Namibian equity partners fail to bring capital to the table (and natural resources tend to involve capital intensive industries) this will simply lead to investors requiring a higher hurdle rate of return rendering more projects unviable. The puzzle of this episode is that it was entirely foreseeable and therefore preventable, especially when viewed in the context of all the work Government has done on the issue since 2003 when the intention to formulate a formal empowerment policy was first announced.

In August 2016, Parliament passed the **Namibia Investment Promotion Act**, an extraordinary piece of legislation from a Government which professes to want to attract foreign investment. The Act promotes the politicisation of investment projects by providing for open-ended ministerial discretion and ties investors down to impossible conditions that they cannot hope to fulfil. Again, although the Act was promulgated, it was put on hold while a period of consultation was permitted. Again the uncertainty dragged on until the Growth Summit when it was announced that "Government has finalised revisions and the Bill will be tabled to the Cabinet Committee on Legislation and thereafter Cabinet before proceeding to Parliament."

In June 2017, Parliament passed the **Public Private Partnership Act**, designed to provide a legal framework for collaboration between public and private sectors in providing critical infrastructure. While in principle such PPPs may encourage private capital to finance and manage public projects, in practice the taxpayer must avoid being fleeced by private investors better able to negotiate complex deals than Government not to mention the scope for corruption when public and private interests collaborate. To date no formal PPPs have been announced although disappointingly the 2019/20 Budget Speech included mention of a new Ministry of Justice office complex in Windhoek as the first project. Yet more new Government offices are not what is needed. Rather the PPP policy should be focused on productive infrastructure that has clear benefits for the economy.

In April 2019, Parliament approved the **Public Enterprises Governance Act** which gives the Ministry of Public Enterprises more formal powers to identify, monitor and manage public enterprises (see QER Q4 2018). The Act doubles down on previous initiatives which seemed to believe that the fundamental problem was not enough Government control rather than too much. It is hard to understand why it took four years to pass this legislation but there is no shortage of troubled public enterprises which can test whether the new legislation will help improve their performance. There can be no excuse for inaction now.

## Domestic Economic Performance

The standard measure of economic success is growth in Gross Domestic Product (GDP) since broadly speaking growing GDP is a sign that the income of the population is growing. As testified repeatedly by past QERs, Namibia's economy stopped growing abruptly in Q2 2016 and has since experienced the longest period of economic contraction since 1990. The timing coincides with the completion of two major mines which appear to have masked what was going on in the broader economy where private investment was in significant decline. Private fixed investment in 2016 and 2017 reached record lows since 2007 and it is hard not to conclude that the major uncertainties in Namibia's policy environment highlighted above did not have something to do with this lacklustre performance. Although persistent drought conditions have been used by Government as a principal explanation for poor performance, it is hard to give much credit to this argument given agriculture's relative importance to the country's GDP.

A second critical measure of economic performance is employment since growth in GDP is hardly likely to translate into growing incomes across the mass of the population without growth in employment. Following the creation of the Namibia Statistics Agency (NSA) in 2011 and with it the commitment in its first five-year business plan 2012/13-2016/17 to "produce and release annual labour force survey statistics" and "investigate the feasibility of a quarterly labour force survey", things seem to have settled back into a less regular routine. A Namibia Labour Force Survey was released in 2014, 2016 and 2018 ie every two years.

**Table 4: Key Labour Force Statistics**

	<b>2014</b>	<b>2016</b>	<b>2018</b>
Population	2,237,894	2,324,388	2,413,643
Under 15	815,294	846,195	881,676
Labour Force	983,843	1,026,268	1,090,153
Employed	708,895	676,885	725,742
Informally employed	293,149	450,075	418,674
Unemployed	274,948	349,383	364,411
Youth Labour Force (15-34)	525,782	566,999	576,624
Youth unemployed (15-34)	204,828	246,262	265,770
Unemployment Rate	27.9%	34.0%	33.4%
Youth Unemployment Rate	39.0%	43.4%	46.1%

Source: NLFS 2018

The last three Labour Force Surveys show that Namibia's overall population, population under 15 years of age, and labour force all increased in absolute numbers over the period. The number of people employed dropped between 2014 and 2016 but then rose between 2016 and 2018, surprising considering that the economy had suffered a contraction. The

number of unemployed people rose steadily in absolute numbers but the unemployment rate (calculated as the number of unemployed divided by the labour force) rose sharply then fell a little. The youth unemployment rate has increased steadily to a situation whereby almost half of all people between 15 and 34 years old are unemployed. Of the 725,742 people in employment in 2018, some 418,674 or 58% were informally employed, defined in these surveys as people employed who are not provided with formal social protection (a pension, medical aid and/or social security).

### International Rankings

Namibia is included in a number of important international comparisons of performance where it is assessed and compared with a wide range of other countries, not only in Africa but internationally where it is often competing for investment. These include:

- The World Economic Forum's Global Competitiveness Index (GCI)
- The World Bank's Ease of Doing Business Index
- Transparency International's Corruption Perceptions Index (CPI)
- The Mo Ibrahim Foundation's Ibrahim Index of African Governance
- The Fraser Institute's Mining Investment Attractiveness Index
- The International Budget Partnership's Open Budget Index
- Reporters without Frontiers World Press Freedom Index

The Namibia Quarterly Economic Review tracks all these rankings and includes them in the table on Key Economic Indicators. Absolute scores and comparative rankings from 2013 to 2019 are presented in the table below.

International Rankings	2013	2014	2015	2016	2017	2018	2019
Global Competitiveness Index Ranking	90/148	88/144	85/140	84/135	99/135	100/140	n/a
Global Competitiveness Index	3.9	4.0	4.0	4.0	4.0	4.0	n/a
Ease of Doing Business Ranking	87/185	98/189	88/189	104/189	108/190	106/190	107/190
Ease of Doing Business Index	n/a	61.15	57.16	59.61	59.57	60.29	60.53
Corruption Perceptions Index Ranking			45/168		53/180	52/180	n/a
Corruption Perceptions Index	48	49	53	52	51	53	n/a
Ibrahim Index of African Governance	69.5	70.3	70.4	69.3	71.2	68.6	n/a
Ibrahim Index of African Governance Ranking	6/52	6/52	5/54	5/54	5/54	4/54	n/a
Investment Attractiveness Index	68.97	76.37	69.78	66.11	60.67	56.66	n/a
Investment Attractiveness Index Ranking	35/112	21/122	33/109	53/104	54/91	60/83	n/a
Open Budget Index (out of 100)	55*	n/a	46	n/a	50	n/a	n/a
World Press Freedom Index - Ranking	19/180	22/180	17/180	17/180	24/180	26/180	23/180

\* 2012

Sources: WEF, World Bank, Transparency International, Mo Ibrahim Foundation, Fraser Institute, International Budget Partnership, Reporters without Frontiers

While Namibia's absolute score on the Global Competitiveness Index has remained much the same, its relative position to other countries has slipped despite the commitment in the Harambee Prosperity Plan: "In line with NDP4, we will strive to improve our competitiveness ranking from current position of No. 4, to become the most competitive economy in Africa by 2020, according to the World Economic Forum Competitiveness Index and the World Bank's Ease of Doing Business Indicators". Although Namibia's absolute score for Ease of Doing Business has improved somewhat, it has slipped down the comparative rankings. Likewise, for Corruption Perceptions its score has remained broadly the same over time while its comparative ranking has slipped. Namibia's absolute Ibrahim Index has remained broadly the same but its comparative ranking has improved marginally. The Fraser Institute's Investment Attractiveness Index has declined hand-in-hand with Namibia's ranking with other countries. Namibia has slipped somewhat from the very high position on the World Press Freedom Index attained in 2015 and 2016 but in 2019 regained its position as having the most free media environment in Africa.

While undue weight should not be placed on these comparisons and criticisms can be made of them, taken together they suggest that Namibia has experienced a steady decline in important measures of economic dynamism except possibly when compared to other African countries. This is reinforced by what is possibly the most important international measure of Namibia's economic prospects namely the downgrade to junk status by Moody's and Fitch in August and November 2017 respectively. Certainly there is little sign that significant positive economic reform has taken place and been recognised by the outside world.

## Conclusions

This feature has tried to present a concise summary of the past four-and-a-half years of economic developments in Namibia. It has attempted to highlight the major events and issues rather than present a fully comprehensive account which belongs to a longer piece.

On coming into office the new President and his Cabinet appeared to believe that the economy, which had been growing strongly since the global financial crisis thanks partly to significant monetary and fiscal stimulus, was set to continue to grow. Perhaps the underlying weaknesses of the economy had been masked temporarily by the monetary and fiscal stimulus combined with two exceptionally large investments in the mining industry – Husab and Otjikoto mines – and some large public sector projects such as the construction of the Neckartal Dam and the expansion of the Walvis Bay container port. Sight was lost of the fact that non-mining private investment was lacklustre and this was then compounded by significant policy uncertainty caused by the release of the Draft NEEEF Bill and then the passing of the Namibia Investment Promotion Act, two pieces of legislation that had the potential to cause substantial damage to the economy. As if this uncertainty was not enough, Finance Minister Schlettwein went out of his way to add to it by raising the holiest of holies – saying in New York last year that the peg to the Rand "had to be re-evaluated", something which President Geingob rowed back on several months later. Government



pressed ahead with its borrowing plans but a slowing economy meant that the fiscal brakes had to be applied with severe consequences for Namibia's economy in which the public sector plays such a dominant role. All the while Government dallied with loss-making public enterprises using the fact that it intended to pass legislation as a fig leaf to disguise the fact that effective action was not being taken. As policy uncertainty reigned and mineral prices remained subdued, certain major investors either placed mines under care and maintenance (such as Paladin Energy, Imerys and Weatherly) or decided to sell out altogether (like Rio Tinto and Schwenk). All the while Namibia trod water or fell back in important international rankings despite official commitments to improve the country's standing.

There have undoubtedly been some positive developments. Government has reconsidered pushing through the most damaging new policies (but why consistently float new policies that have not been properly considered?) and some new foreign investment has materialised (although from the little that is known, the Peugeot car plant in Walvis Bay seems to be a case of Government taking most of the financial risk). It is to be hoped that the large new investments in public infrastructure will pay off but, in the absence of publicly available cost-benefit studies, it is hard to be optimistic given Government's past propensity to spend on white elephants.

Despite being firmly in power, Government continues to exhibit three key characteristics that have marked economic policy-making since Independence:

1. A knee-jerk propensity to blame economic problems on external factors ("world markets") and acts of God ("drought") and a refusal to take responsibility;
2. An extreme reluctance to take difficult decisions which are clearly in the long-term interests of the economy (for example the bloated public sector and loss-making SOEs which have featured in almost every budget statement since the 1990s); and
3. A tendency to float half-baked policy ideas which then hang over the investment landscape like a cloud of uncertainty (the NEEEB and NIPA being just the latest examples).

These are serious shortcomings which show no sign of changing any time soon, with the path of least resistance invariably being the preferred way forward. Furthermore, it remains unclear exactly who is in overall charge of economic policy and who, if anyone vets economic initiatives before being made public: the President and his advisors? The Minister of Finance? The Director General of the NPC? The High Level Panel? With elections now on the horizon, the current President and Cabinet must decide what their legacy is going to be: will they reform and reverse the decline of the past five years or go down in history as the people who crashed the Namibian economy?