# Namibia QER Q1 2019

Namibia Quarterly Economic Review January-March 2019



## Quarter Summary

President Geingob kicked off the year 2019 by declaring it the "year of accountability" but it was unclear who was supposed to be accountable for what. The first quarter of the year was overshadowed by continued economic gloom. The Bank of Namibia held the repo rate at 6.75% in February and stated rather feebly that it expected the economy to expand in 2019, albeit very modestly. This rather downbeat picture was compounded by Fitch downgrading the country's economic outlook from stable to negative. The President's economic advisor Dr John Steytler resigned citing personal reasons. The budget was delayed twice and ominously Finance Minister Schlettwein took to Twitter to deny he was considering resigning – a first in Namibia. Preliminary national accounts data was released the day after the Budget which put growth for 2018 at -0.1%. The Namibian Labour Force Survey for 2018 published at the same time surprisingly showed little change in unemployment since 2016 despite the fact that the economy has performed so poorly since then. The President appointed a 22-member High Level Panel on the Economy to advise him until the end of his term. The poor record of similar efforts in the past does not inspire confidence that this initiative will end differently.

The new board of inveterate loss-making public enterprise Air Namibia seemed to make an immediate change as the company's acting CEO since 2015 Advocate Mandi Samson announced in March that she was to resign to take up other opportunities. The board of the Namibia Airports Company (NAC) appointed Bisey /Uirab as the company's new CEO breaching SOE pay guidelines in the process. /Uirab's reputation was immediately thown into question through the publication of a critical report by the Economic Association of Namibia (EAN) which strongly criticised Namport's investment strategy. Namport shot back calling the report "slanderous" and complaining that it had not been asked to contribute to the research.



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Namibia's tourist industry scored some notable successes by winning two genuinely independent international awards. The issues of rhino and elephant poaching and ivory sales were raised and Namibia, together with Botswana, South Africa and Zimbabwe, launched a campaign for the Convention on International Trade in Endangered Species (CITES) to relax its ban on ivory sales. Germany's Schwenk Zement announced its intention to sell its majority stake in Ohorongo Cement to a Chinese company recently listed in Singapore, marking yet another withdrawal from Namibia of a reputable Western multinational. Namibia became the first country in Africa to export beef to China. The long contemplated Kudu gas-to-power project raised its head again, this time under the leadership of Norway's BW Kudu. In his budget speech, Finance Minister Schlettwein confirmed that the Government was rethinking the tax proposals it had made last September as well as the Investment Promotion Act and the New Equitable Economic Empowerment Bill, three initiatives which many observers suspect of having damaged Namibia's reputation as an investment destination.

## News Highlights

| Date | Highlight | Commentary |
|---|---|---|
| 31 March | Charity Mwiya appointed CEO of Namibia Chamber of Commerce and Industry (NCCI) | The Namibia Chamber of Commerce and Industry (NCCI) appointed Charity Mwiya as its CEO for the next five years. Mwiya first joined the NCCI in 2004. |
| 28 March | Labour Force Survey sees unemployment decline between 2016 and 2018 (NSA) | The Namibia Statistics Agency (NSA) published the Labour Force Survey for 2018 which showed that unemployment had declined marginally from 34.0% in 2016 to 33.4% in 2018, surprising in view of the economic downturn which has taken place over the past two years. |
| 28 March | Preliminary national accounts put growth in 2018 at -0.1% (NSA) | The Namibia Statistics Agency (NSA) published preliminary national accounts for which suggested the economy shrank by 0.1% in 2018. |
| 28 March | Namibia exports first consignment of beef to China (china.org.cn) | Meatco dispatched its first 21-tonne consignment of beef from Namibia to China following the signing of an agreement covering A-grade beef in 2016 making it the first African country to export beef to China. |
| 27 March | National Budget for FY19/20 tabled in Parliament | Finance Minister Calle Schlettwein tabled the National Budget for FY19/20 in Parliament. The Budget had been delayed twice (see feature). |
| 26 March | President appoints High Level Panel on Economy | President Geingob announced the creation of a 22-member High Level Panel on the Economy to advise him until the end of his term in office. The Panel consists of a wide range of people from inside and outside government including three international experts. |
| 26 March | Economics Association of Namibia publishes report critical of Namport (EAN) | The Economics Association of Namibia (EAN) published a report on Namport here written by local economist Rainer Ritter in which he criticises Namport's business strategy and, in particular, its decision to expand the |



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| | | container port terminal. The report drew a fierce response from Namport which complained it had not been consulted or asked for its inputs and calling the report "slanderous". |
| 22 March | Export Processing Zone companies invest N$11bn in Namibia (The Namibian) | In response to questions in Parliament, Trade and Industry Minister Tjekero Tweya revealed that Export Processsing Zone (EPZ) companies in Namibia had invested N$11.6bn in FY17/18. Since 1995 142 companies had been granted EPZ status and the 19 currently operational companies employed 2,203 people. |
| 21 March | Namibia celebrates 29 years of Independence | |
| 19 March | Government announces N$572.7m drought relief package (Namibian Sun) | Government announced a N$572.7m drought relief package for 2019 and 2020 to finance food assistance, water tankers, livestock management incentives, transport subsidies for farmers to and from grazing areas, as well as the transport of fodder to stricken areas. |
| 19 March | Kudu power station hopes revived (New Era) | BW Kudu hopes to revive the idea of a 475MW gas-to-power station in Namibia based on new technology according to local country manager Klaus Endresen. |
| 13 March | Mandi Samson resigns as acting MD of Air Namibia (The Namibian) | Air Namibia announced that acting MD Advocate Mandi Samson would resign on 15 March. Samson, who was appointed in 2015, is leaving to pursue other opportunities. Xavier Masule has been appointed interim MD. These appointments were made following the installation of a new board from 1 January 2019. |
| 12 March | President's economic advisor resigns (The Namibian) | Presidential advisor Dr John Steytler, who played a major role in putting together President Geingob's Harambee Prosperity Plan, resigned citing personal reasons. He had been in post since 1 July 2015. |
| 12 March | Schwenk Zement announces sale of Ohorongo stake (Namibia Economist) | Germany's Schwenk Zement International, majority owner of Ohorongo Cement near Otavi, announced its intention to sell its entire 69.83% holding in Ohorongo to Singapore-listed International Cement Group. Other shareholders are the Development Bank of Namibia, Development Bank of Southern Africa and the Industrial Development Corporation. The deal is subject to the approval of the Namibian Competition Commission. |
| 12 March | Otjikoto meets production target for 2018 (B2Gold) | B2Gold reported that its Otjikoto gold mine produced 33,766 ounces of gold in Q4 2018 bringing production for the year to 167,346 ounces, compared to original guidance for the year of 160,000 to 170,000 ounces. |
| 8 March | Number of legally held guns has increased significantly since 2004 (New Era) | While motivating the Arms and Ammunition Amendment Bill in Parliament, Deputy Safety and Security Minister Daniel Kashikola revealed that the number of legally held guns in Namibia had increased from 97,262 in 2004 to the current figure of 210,000. |



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| 7 March | Bisey /Uirab appointed Namibia Airports Company CEO (The Namibian) | Namibia Airports Company (NAC) Board Chair Leake Hangala announced that former Namport CEO Bisey /Uirab would take over as the new NAC CEO from 1 May receiving a package of N$2.1m a year. |
| 7 March | Namibia awarded Best Destination Safari and Wildlife (ITB) | Namibia was awarded Best Destination Safari and Wildlife by the Pacific Areas Travel Writers Association at the Berlin Internationale Tourismus Börse (ITB), the world's biggest tourism trade fair. |
| 22 February | Fitch downgrades Namibia's outlook from stable to negative (Fitch Ratings) | Fitch revised Namibia's economic outlook from stable to negative stating "our previous expectations of a gradual growth recovery in 2018 has not materialised". |
| 19 February | Government considers declaring a drought state of emergency (New Era) | In a speech to farmers in Windhoek, Agriculture Minister Alpheus !Naruseb said Government was considering declaring a drought state of emergency at the end of April. |
| 17 February | O&L appoints Wessie van der Westhuizen as new CEO ((The Namibian) | The Ohlthaver & List Group announced Namibia Breweries MD Wessie van der Westhuizen will replace existing CEO Peter Grüttemeyer when he steps down after 15 years of service in July 2019. |
| 14 February | Namibian inflation drops to 4.7% (NSA) | Consumer price inflation in Namibia fell from 5.1% in December to 4.7% in January according to the Namibia Statistics Agency (NSA) |
| 13 February | Bank of Namibia holds repo rate at 6.75% (Bank of Namibia) | The Bank of Namibia's Monetary Policy Committee (MPC) held the repo rate at 6.75% and said it expected the economy to expand in 2019. The repo rate has remained unchanged since August 2017. The next MPC meeting is on 10 April. |
| 12 February | 57 rhinos poached in 2018 (China.org.cn) | Environment and Tourism Minister Pohamba Shifeta confirmed that 57 rhinos and 26 elephants had been poached in Namibia in 2018 and that 120 poachers had been arrested. |
| 11 February | Namibia issues statement in favour of lifting ivory ban (Xinhua) | Namibia joined South Africa, Botswana and Zimbabwe calling on the Convention on International Trade in Endangered Species (CITES) to lift the ban on the trade in ivory. The four countries account for 61% of all elephants in Africa. |
| 11 February | Namibia Revenue Agency delayed until October 2019 (Southern Times) | Finance Permanent Secretary Ericah Shafudah confirmed that the new Namibia Revenue Agency (NAMRA) is likely to become operational in October 2019. The NAMRA board led by Anna Nakale-Kawana and including Stefan Hugo, Shirene Bampton, Melania Tjienda and Dennis Khama as well as Shifudah was appointed last December. Approximately 730 officials from the Inland Revenue Department and 650 from the Directorate of Customs & Excise will have to reapply for their jobs when NAMRA becomes operational. |
| 5 February | Around 50 rhinos a year lost through poaching (New Era) | During a meeting of the 13th International Union for Conservation of Nature (IUCN) African Rhino Specialist Group, Environment and Tourism Deputy Minister Bernadette Jagger revealed that an average of 50 rhinos |



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| | | had been lost every year to poaching in Namibia since 2015 when 97 were poached. |
| 6 February | Namibia Breweries opens N$27m depot (The Namibian) | Namibia Breweries opened a N$27m depot in Walvis Bay which will take over from the old depot in Swakopmund and distribute some 30% of the company's products. |
| 4 February | A total of 211,447 Namibians receive state grants (New Era) | In an address to staff, Poverty Eradication Minister Bishop Zephania Kameeta revealed that a total of 211,447 Namibians had received state grants in FY17/18 including 170,386 state pensions and 41,061 disability grants. |
| 4 February | Namibia issues 20,000 gun licences in last three years (The Namibian) | Namibian police chief inspector and spokesperson Kauna Shikwambi revealed that approximately 20,000 gun licences had been issued in the past three years. A recent report by international watchdog the Small Arms Survey estimated that there were over 390,000 firearms owned by Namibians, only 210,000 of which were licenced. |
| 31 January | Wanderlust magazine votes Namibia top tourist destination (The Namibian) | Namibia came first in Wanderlust magazine's Wanderlust Reader Travel Awards 2019 announced at a special event in London. Namibia last came top in 2014. |
| 25 January | Central Procurement Board questions tenders (The Namibian) | The newly-created Central Procurement Board questioned two tenders – a N$180m contract for managing Telecom's telephone directory and a N$1bn contract for ARV medicine supply for favouring particular companies whilst a third tender for diamond valuation was returned to the bid evaluation committee because it included individuals suspected of fronting for government officials. |
| 24 January | Namdeb produces 505,000 carats in Q4 (AA) | Anglo American reported that Namdeb Holdings produced 505,000 carats of rough diamonds in Q4 compared to 460,000 carats in Q3 2018. |
| 24 January | Namibia and South Africa sign Fisheries MOU (Engineering News) | Namibia Fisheries Minister Berhard Esau and South African counterpart Senzeni Sokwana signed an MOU covering joint research, the elimination of illegal fishing and capacity building within the framework of the Benguela Current Commission. |
| 22 January | Diamond Fields announces second diamond shipment (Diamond Fields) | Canadian TSX-listed diamond miner Diamond Fields announced the shipment of 22,166.81 carats of unpolished rough diamonds from its licence area ML111 to Europe. |
| 20 January | New salt packaging and distribution plant opened (The Namibian) | Trade Minister Tjekero Tweya was present at the opening of a new N$5m salt packaging and distribution plant in Brakwater by Cerebos Namibia which employs 12 Namibians. |
| 16 January | Eiseb appointed Namibia Diamond Trading Company CEO (Namibia Economist) | Brent Eiseb was appointed CEO of the Namibia Diamond Trading Company (NDTC) from 1 January after serving as the Senior Manager Sales and Marketing since May 2016. |



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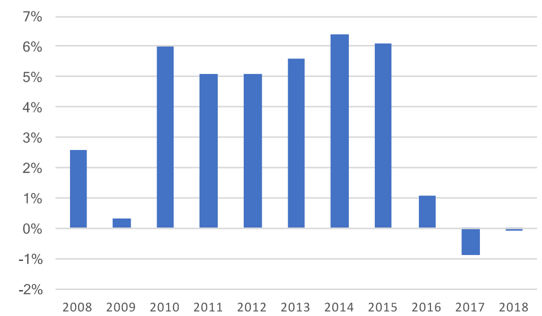
| 9 January | Namibia suspends South African meat imports (Reuters) | Namibia suspended meat imports from South Africa due to the outbreak of the highly contagious foot and mouth disease. |
| 9 January | PSEMAS loses N$900m (The Namibian) | In its financial risk report for Namibia dated 23 November 2018, the International Monetary Fund revealed that the Public Service Employee Medical Aid Scheme has been losing on average more than N$900m per year to fraud, abuse, waste and collusion. |
| 7 January | Werner Schuckmann rejects Namibia Airports Company CEO job (The Namibian) | Accountant Werner Schuckmann rejected the offer to become the Namibia Airports Company's (NAC) CEO, forcing the parastatal to restart its search for a new boss. The Namibian reported that the NAC board refused to meet Schuckmann's N$2.6m a year salary demand after Cabinet had approved his appointment in November 2018. |
| 2 January | Fuel prices cut (MME) | Energy Minister Tom Alweendo announced that fuel pump prices would decrease by 90 cents per litre for 95 Octane unleaded petrol and N$1 per litre for all grades of diesel on 2 January as a result of recent falls in global oil prices. |
| 1 January | President Geingob declares 2019 the "year of accountability" (The Namibian) | In a New Year Statement President Hage Geingob declared that 2019 would be the "year of accountability". "Our economy remains volatile, but we have steadied the ship and anticipate that the tide will turn for the better from 2019," he said. |

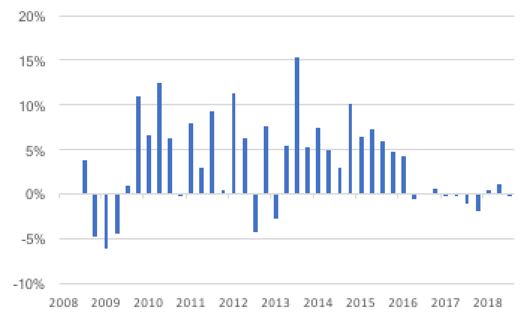
## Key Economic Variables

**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% in 2016 from the last estimate of 0.6%.

**GDP Quarterly Growth (%)**




Quarterly growth tumbled in Q2 2016 and has not recovered since with the latest estimates showing a decline of 1.7% in Q4 2018.



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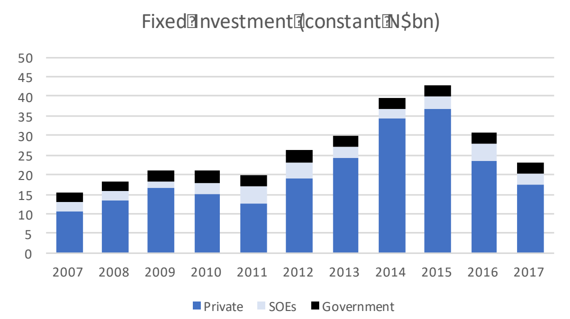
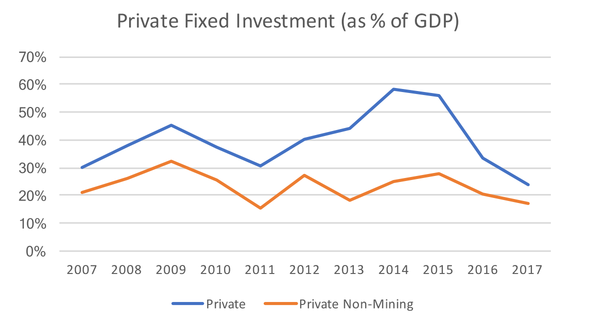
## Fixed Investment (N$bn in 2010 prices)



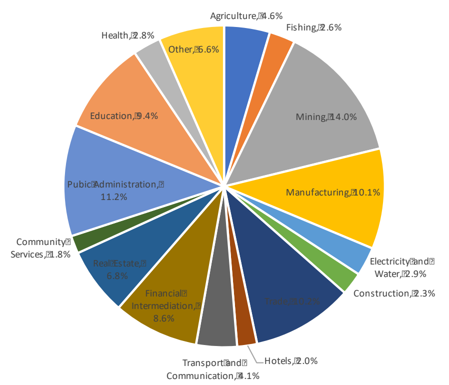

Investment, driven by strong private investment, rose significantly after 2011 but peaked in 2015 and has since returned to previous levels. These figures will be updated once the full national accounts are available for 2018.

## Private Fixed Investment (% of GDP)



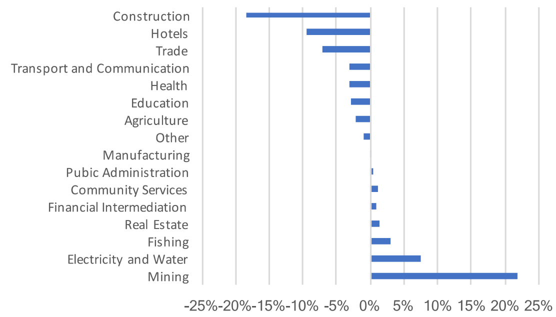

Strong private investment has been driven by investment in mining. Both mining and non-mining private investment as a proportion of GDP have declined since 2015. These figures will be updated once the full national accounts are available for 2018.

## Sectoral Breakdown of GDP (%)



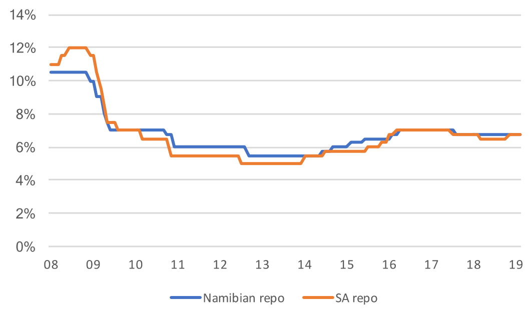

The chart shows the contributions made to overall economic activity in 2018 by the different sectors of the economy. Service sectors contributed 56.9% while primary and secondary sectors contributed 21.2% and 15.3% respectively.

## Sectoral Growth (%)




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 (%)




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

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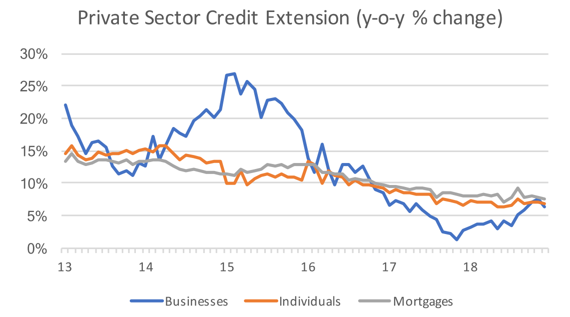
The Bank of Namibia’s repo rate has been 6.75% since August 2017 and the latest Monetary Policy Committee (MPC) meeting on 13 February 2019 reaffirmed this rate. The next MPC meeting is due on 10 April 2019.

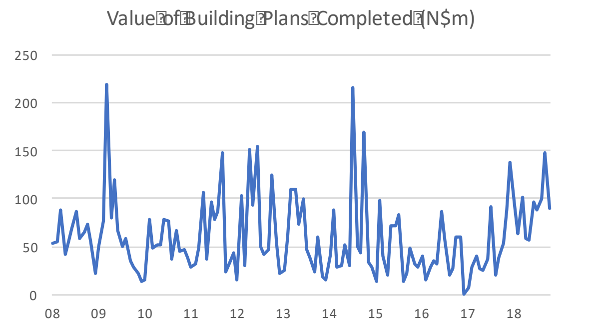
Namibian consumer inflation started to rise steadily from 3.6% at the beginning of 2018 to reach 5.6% in November but has since declined to reach 4.4% in February 2019.

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



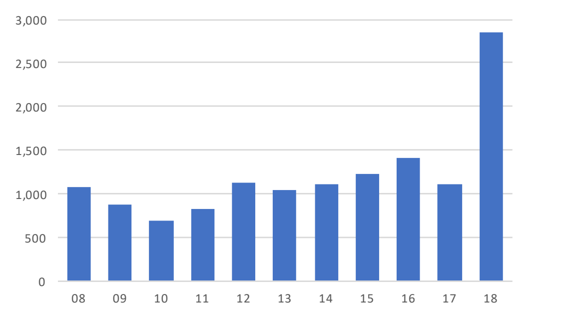

Credit growth to domestic businesses fell steadily from a peak in 2015 to a trough towards the end of 2017 reaching 6.5% in the final month of 2018. At the same time credit growth to households including residential mortgages has fallen steadily to 6.9% and 7.7% at the end of 2018.

**Building Plans Completed (N$m)**



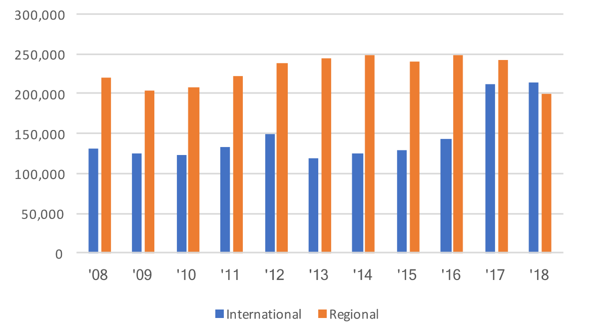

The value of building plans completed in Windhoek has risen in nominal terms since the beginning of 2017 and this rise continued throughout 2018.

**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.

**Arrivals at HKIA**




International arrivals to Hosea Kutako International Airport (HKIA) in 2018 stood at 213,689 to October – higher than the 183,473 for the year to October in 2017. Regional arrivals reached 199,961 for the same period compared to 206,224 in 2017.



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## Data Trends

| | Unit | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Annual Economic Growth** | | | | | | | |
| GDP | % | 5.6% | 6.4% | 6.1% | 1.1% | -0.9% | -0.1% |
| GDP current prices | N$m | 122,792 | 138,763 | 150,083 | 166,006 | 180,605 | 192,138 |
| Change in Mining Value Added | % | 1.7% | -6.0% | -4.9% | -3.2% | 13.3% | 22.0% |
| Change in Manufacturing Value Added | % | 4.4% | -0.1% | -4.3% | 5.6% | 1.9% | 0.2% |
| | | | | | | | |
| **Fixed Investment** | | | | | | | |
| Fixed Investment | % of GDP | 26.5% | 33.4% | 33.3% | 22.4% | 15.7% | 12.6% |
| Change in Fixed Investment | % | 13.5% | 33.7% | 7.9% | -28.6% | -24.2% | -14.1% |
| Fixed Investment - Government | '000 N$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 |
| | | | | | | | |
| **Prices and Interest Rates** | | | | | | | |
| 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% |
| | | | | | | | |
| **Trade and Balance of Payments** | | | | | | | |
| 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% |
| | | | | | | | |
| **Foreign Exchange** | | | | | | | |
| 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 | n/a |
| | | | | | | | |
| **Financial Sector** | | | | | | | |
| 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% | 3.4% |
| 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 |
| | | | | | | | |
| **Business Indicators** | | | | | | | |
| 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 | n/a |
| Gold Production | kg | 1,795 | 2,140 | 6,009 | 6,604 | 7,272 | n/a |
| Mining Licences Granted | number | 0 | 3 | 0 | 1 | 2 | n/a |
| Exploration Licences Granted | number | 395 | 138 | 56 | 142 | 174 | n/a |
| 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 | 214 |
| Regional Arrivals at HKIA | '000 | 245 | 249 | 239 | 248 | 242 | 200 |



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| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|---|---|---|---|---|---|---|---|---|
| **Employment** | | | | | | | | |
| 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 | |
| | | | | | | | | |
| **Government Finances** | | **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% |
| | | | | | | | | |
| | | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| **International Rankings** | | | | | | | | |
| 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 | | |
| 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 | |
| Policy Perception Index | | 27/112 | 19/122 | 29/109 | 38/104 | 39/91 | n/a | |
| 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 | |
| *2012 | | | | | | | | |

Sources: Anglo American, Bank of Namibia, 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



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## Special Feature

**Waiting for Something to Turn Up - Namibia's National Budget 2019/20**

**Finance Minister Calle Schlettwein tabled Namibia's National Budget for 2019/20 in Parliament on Wednesday 27 March. In an environment of economic gloom, the run-up had been further overshadowed by twice being delayed as well as Schlettwein taking to Twitter on 14 March to deny rumours that he was considering resigning. As it turned out, the Budget was something of a damp squib but probably the best that could have been expected in what is after all an election year.**

The budget took place against a very weak economic backdrop. Preliminary national accounts published the day after suggested the economy had shrunk by 0.1% in 2018. In his budget speech, Schlettwein suggested growth for 2019 "could reach up to 1.0% from a contraction of between 0.2% and 0.5% in 2018". It seems the latest estimates had not been shared with him prior to writing the budget speech. More optimistically he ventured that growth could "improve to 1.2% this year and reach 2.2% in 2020 if it is supported by timely implementation of supportive policy measures". Needless to say, these figures fall far short of what is required to achieve the Government's Vision 2030.

**Revenue Highlights – Revenues Flat Over Next Three Years**

Revenue and grants are estimated to total N$58.4bn in FY2019/20 or 29.7% of forecast GDP. This is just 3% higher than the revised total of N$56.7bn in FY2018/19 or 30.2% of GDP. This increase came about primarily because a 16% rise in revenue from SACU more than offsets falls in revenue from a variety of sources including diamond and non-mining companies, withholding taxes, transfer duties, and VAT.

A variety of relatively small tax measures were announced. Some of the tax measures announced in September 2018 were scrapped following "wide stakeholder consultation" with Schlettwein admitting that "some of these proposals could have had unintended negative consequences".

However, Government planned to go ahead with tax proposals on 1) phasing out the current tax incentives for manufacturers and exporters of manufactured goods, repealing the Export Processing Zone and introducing Special Economic Zones, with a subset clause for current operators with EPZ status 2) introducing a 10% dividend tax for residents 3) harmonising the taxation of trusts 4) subjecting commercial activities of charitable, religious, educational and other types of institutions to normal corporate tax 5) subjecting foreign earnings of Namibian residents to tax 6) increasing tax deductibility of retirement fund contributions, 7) disallowing deductibility of fees and interest paid to non-residents until withholding taxes are proven 8) introducing VAT on the income of listed asset managers 9) removing VAT zero-rating on sugar and 10) disallowing deductibility of royalties for non-diamond mining entities.



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Furthermore, the fuel levy would be increased by 25c per litre, coverage of the export levy would be increased to include specific agricultural, forestry and game products as well as other mining products not currently covered, the export levy on dimension stone would increase from the current maximum of 2% to 15%, and an export levy of 15% for timber would be introduced. Routine changes to excise duties on beer, wines and spirits were announced while new environmental levies on the importation of lubricant oils, plastic carrier bags and disposable batteries. Combined, the tax proposals are anticipated to generate approximately N$400m. It was confirmed that the new Namibia Revenue Agency will be launched on 1 October 2019.

**Expenditure Highlights – Wage Restraint and Higher Capital Spending**

Expenditure is estimated to total N$66.5bn in FY2019/20 or 33.9% of forecast GDP. This is 3.4% higher than the revised total of N$64.3bn in FY2018/19 or 34.2% of GDP. Interest payments are estimated to rise from N$5.8bn or 3.1% of GDP in FY2018/19 to N$6.4bn or 3.3% of GDP in FY2019/20.

Significantly, development spending – consisting mostly capital and infrastructure - rises 42% from N$5.6bn in FY2018/19 to N$7.9bn in FY2019/20 something likely to be welcomed by the construction industry. Namibia's N$4bn project loan from the African Development Bank under the Economic Governance and Competitiveness Program contributes N$1.1bn towards financing infrastructure in FY2019/20 while the remaining N$2.9bn will be deployed over the two years thereafter.

**Table 1: Spending by Sub-Division (N$m)**

| Sub-Division | FY17/18 | FY18/19 | FY19/20 |
|---|---|---|---|
| Personnel Expenditure | 29,171 | 28,927 | 29,968 |
| Good and Other Services | 8,421 | 6,178 | 6,560 |
| Subsidies and Other Current Transfers | 16,867 | 15,778 | 15,542 |
| Interest Payments | 5,430 | 5,783 | 6,404 |
| Acquisition of Capital Assets | 4,180 | 6,322 | 6,822 |
| Capital Transfers | 1,259 | 975 | 1,253 |
| Total | 65,328 | 63,963 | 66,550 |

Source: Estimates of Revenue and Expenditure

Budgeted spending in FY2019/20 broken down by sub-division shown in the table above displays little significant change over FY2018/19. The increase in acquisition of capital assets is due to the increase in spending on capital projects while that of capital transfers is due to the resumption of the N$200m annual allocation for land purchases under the Land Acquisition and Development Fund.



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Recognising the need for expenditure restraint, Schlettwein states that "expenditure containment measures are centred on the wage bill management with the entire public sector, managing transfers to Public Enterprises and containing the growth of non-core expenditure". Schlettwein mentions in his speech that the public sector wage bill doubled in the five years between FY2012/13 and FY2017/18 due partly to job regrading and "notch improvements above inflationary adjustments". He goes on to say that "the Government appreciates the common understanding and commitment of the civil service and organised labour for the contribution to the policy efforts to exercise restraint on remuneration increases and to restore long-term sustainability". Table 2 shows that the wage bill will account for 45% of all public spending in FY2019/20, a slightly lower proportion than in the previous years and 3.5% higher in nominal terms than in FY2018/19. This restraint on the wage bill also applies to all Public Enterprises and that the Ministry of Public Enterprises is due to issue a directive on this matter shortly. Transfers to commercial Public Enterprises are budgeted at N$836.5m in FY2019/20. Government's commitment to maintaining the value of the old age pension continues with an increase of N$50 to reach N$1,250 per month.

**Deficit and Debt**

The revenue and expenditure estimates described above yield a budget deficit of N$8.1bn or 4.1% of estimated GDP down from 4.4% in FY2018/19. Given the forecasts for revenue and expenditure over the three years of the Medium-Term Expenditure Framework (MTEF), the budget deficit is forecast to decline to 3.5% and then 2.8% by 2021/22 with the total stock of public debt supposedly peaking at 52.3% of GDP – an all-time high – in FY2021/22.

**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

**Conclusions**

This year's budget represented a difficult balance between the need to rein in spending and limit debt build-up while at the same time providing some degree of stimulus to a much weakened economy in advance of elections in November. To a limited extent this has been achieved but questions remain about the sustainability of debt given the country's poor


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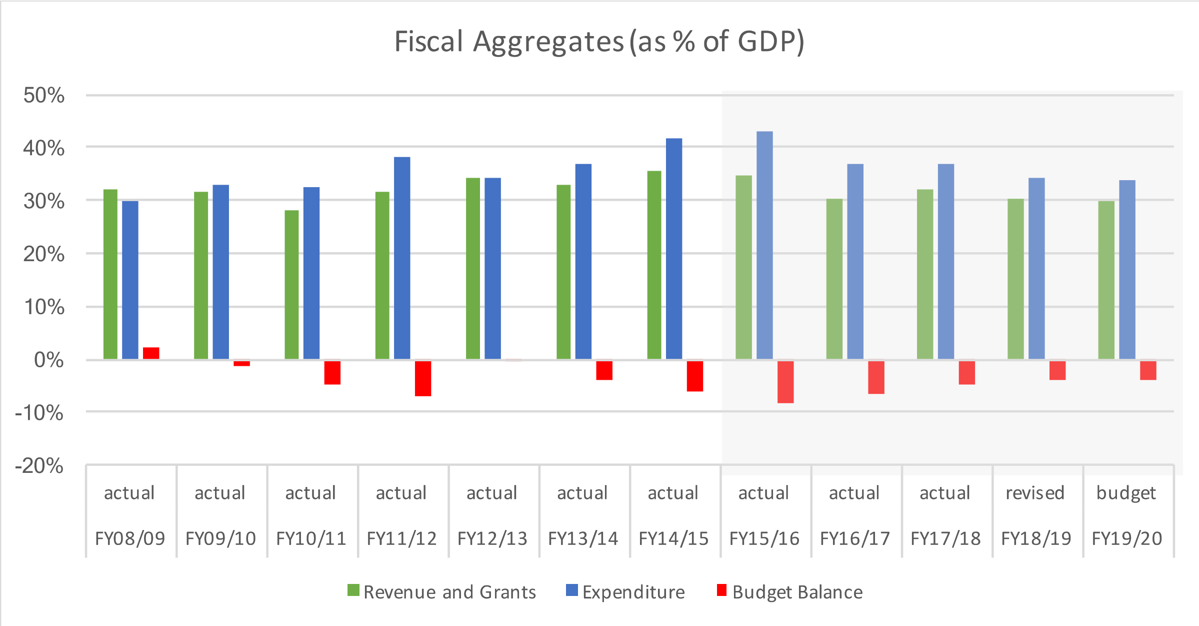
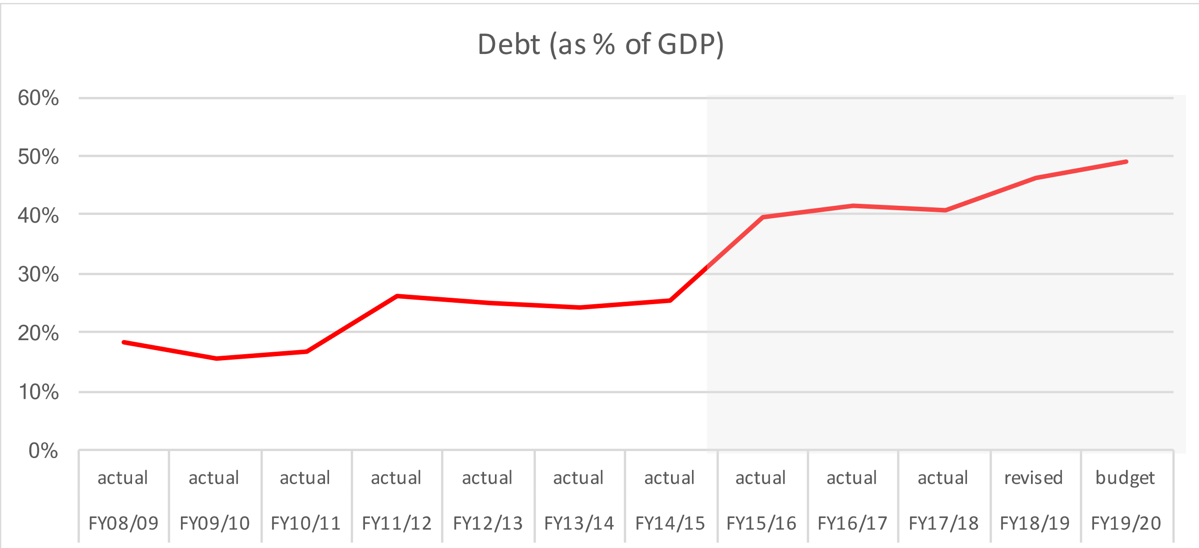
growth outlook. The current conundrum is the result of fiscal laxity in the run-up to and following the last elections – when a transition between Presidents and Ministers of Finance took place - as well as a limited ability to forecast revenue accurately. Namibia was in a relatively strong position going into the global economic crisis in 2008 but clearly struggled to use fiscal policy aggressively and quickly to counteract the downturn. During the run-up to elections in November 2014 and during the subsequent transition (which included the President and the Minister of Finance) in March 2015, fiscal policy was loosened considerably and borrowing soared. Further research is needed to assess whether this borrowing added to the country's long-term capacity for growth but the weak economic performance experienced since 2016 suggests it has not. Namibia is in a much weaker position now should a global downturn take place.



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Having said that the same old issues continue to plague the economy: Namibia's public sector – including SOEs and regulatory bodies - remains too large and its wage bill absorbs a disproportionate level of resources, Namibia's long-standing problem-case public enterprises remain largely unreformed, public sector investment is rarely based on an assessment of economic costs and benefits, and Government regularly floats poorly conceived policy proposals in public which create uncertainty and scare investors only for it to later reconsider and pull back but after considerable damage has been done. It is worth noting that on the latter point, Government continues to display a welcome willingness to listen to criticism and revise its opinion – on tax proposals, on the Investment Promotion Act, on the New Equitable Economic Empowerment Bill - but the obvious question is why not consult properly before making announcements that can have such detrimental effects?

An election year is rarely a time to push through painful reforms. They say "never waste a good crisis". Yet if a President who wins with an 87% mandate cannot implement difficult long-term reforms at the start of his term in office, it is not clear who can. The current President has enormous experience of Namibian policy issues and should not have wasted valuable time after securing his mandate putting together the Harambee Prosperity Plan (HPP) progress with which seems not to be monitored and now fails to get a single mention in the Budget Speech. In case anyone needs reminding, the HPP committed Government to "anchoring our public debt to GDP ratio to 30%" and "maintain and improve on our international sovereign credit ratings of BBB minus" and "create at least 8,000 new jobs in the manufacturing sector" and to "become the most competitive economy in Africa" among other things.

Despite the fact that the issue of employment was almost entirely ignored in the budget speech (and certainly no figures were quoted on jobs created or lost), there is tacit recognition in this year's budget speech that the answer to the country's challenges must lie in greater private sector investment which leads to sustainable employment creation. Government needs to implement an ambitious new programme to attract investment – local but especially foreign – and all policies need to point in this same direction. As it is, this year's budget is an indication that Namibia is closer than it has ever been to losing its fiscal independence and is simply waiting for the next resource boom to come along before the growth in employment and incomes needed to achieve Vision 2030 can be attained.



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