

# NAMIBIA QER Q3 2022

NAMIBIA QUARTERLY ECONOMIC REVIEW

JULY-SEPTEMBER 2022

| Special Feature:<br>Tough Times<br>Ahead | News<br>Highlights | Key Economic<br>Variables | Data Trends |
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## Learning to Sail in High Winds: Tough Times Ahead

### Introduction

The onset of the global Covid pandemic in early 2020 heralded the start of massive disruption in the global economy to which Russia's invasion of Ukraine in February 2022 only served to pour fire on the flames. As a small open middle-income economy, Namibia has tried to remain neutral but has inevitably been buffeted by the global forces at work. This short feature examines how Namibia has been affected and asks what if anything policymakers can do in such circumstances.

### Covid and supply chain disruptions

The Covid global pandemic led to all manner of economic disruption around the world as countries took unprecedented measures to address the challenges it represented. As the world emerged from the trauma, it has taken time to fully recover and the effects continue to be felt in terms of disruption to global supply chains and the smooth trade of goods and services. This recovery has sometimes been quite jerky as some parts of the economy recover faster than others. Namibia's economy took an 8% hit to GDP in 2020 and GDP is not due to fully recover until 2024. This can best be seen in the tourism industry where foreign tourist arrivals are not yet back to their pre-pandemic levels.

### China and the zero Covid policy

China's US\$17.7 trillion economy (in 2021) is the second largest in the world after the US measured in US\$ at market exchange rates and forms an important part of the global economy as the "workshop of the world" and is an important trading partner for Namibia. China's approach to Covid stands out internationally for two reasons. Early on in the pandemic, China adopted a zero-Covid policy. China has only permitted Chinese vaccines to be used to vaccinate its

population. President Xi and the Chinese Communist Party are deeply invested in the zero-Covid policy and this is unlikely to change after Xi's likely continuation in power following the 20th Party Congress which opens on 16 October. China is waging a "protracted war" against the virus which can only be won "when the virus is no longer around" and is maintaining the policy even as others such as Australia, New Zealand and Singapore are relaxing theirs. But zero Covid entails the continuation of harsh measures such as regular testing, checkpoints, lockdowns, quarantines and constraints on interactions with foreigners. Despite high vaccination rates of around 70%, these have the effect of reducing consumer and business confidence and the productive capacity of the economy which is set to grow by less than 3% in 2022, far less than the official target of 5.5%. The question is, how long can China maintain zero Covid when it has become endemic in the rest of the world?

## Russia's Invasion of Ukraine

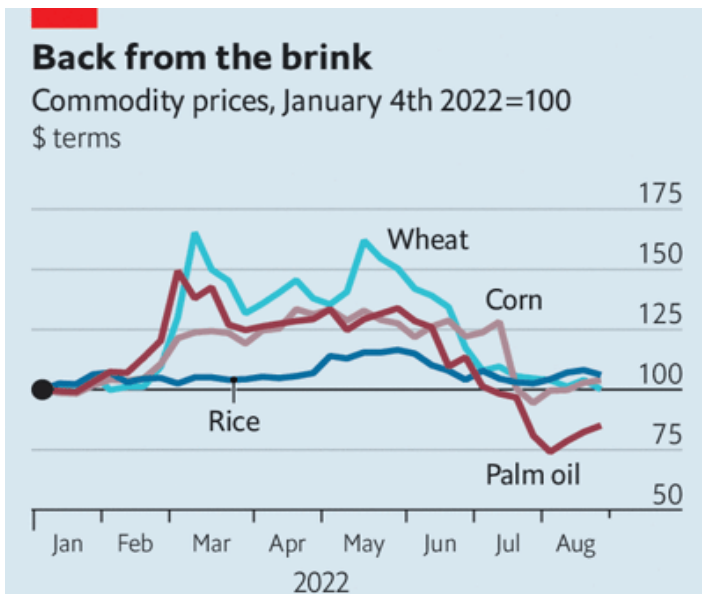
After a lengthy prelude involving Presidential essays, speeches, international political demands, Russia's President Putin sent his military forces over the border into Ukraine on 24 February 2022 in a "Special Military Operation" that was very different to his stealthy annexation of the Crimea in 2014. To the surprise of many, Ukraine successfully fought back with the help of Western military hardware, training and finance and Western countries imposed a range of sanctions on Russia including on Russian oil and gas. Russia is a major global oil and gas exporter and both Russia and Ukraine are major grain and sunflower oil exporters. Many countries in Western Europe had become highly dependent on Russian gas but Russia would struggle to switch customers for its gas as the pipeline network is very much geared to western Europe. Oil on the other hand is easier to trade and Russia has been selling more oil to China, India and other countries as a result of Western sanctions. However, because it is such a major player in global oil and gas markets (and is a member of OPEC+), this has an impact on global oil and gas prices.

## Oil and Gas

In the years running up to the Covid pandemic, oil has been trading at around US\$60-80 a barrel. The pandemic led to a collapse of production and therefore demand for oil resulting in a price drop to below US\$40 a barrel before production could adjust to the new levels of demand. As the world emerged from the pandemic, the oil price steadily returned to their previous levels. However, Putin's invasion led to prices spiking above US\$120 a barrel. However, by the end of September they had returned to below US\$90 a barrel. Meanwhile gas prices rocketed following the invasion as Western Europe scrambled around trying to secure alternative supplies. Although Namibia does not consume gas in the same way as, for example, Western Europe, gas is a tradable commodity and the gas price is related to the oil price as the two are to a certain extent substitutes in some parts of the world. However, Namibia imports all the petroleum and diesel it consumes from world markets (mostly via South African refineries) and is therefore directly affected by international price changes.

## Grains, Sunflower Oil and Fertilizer

Prior to the war in Ukraine, Russia and Ukraine were the world’s first and fifth largest exporters of wheat and the two largest exporters of sunflower oil. Food prices surged in February and March this year driven by fears that exports would be disrupted by war potentially leading to depleted grain stocks and mass starvation. However, that terrible prospect now appears to have been avoided and prices in US\$ are back to where they were at the beginning of the year. Surprisingly, this has not come about as a result of the deal brokered by the UN signed in late July, which allowed Ukrainian grain exports to leave the port of Odessa on the Black Sea, but more because of the bumper harvest in Russia and high global wheat stocks<sup>1</sup>.



The Economist

Namibia imports a large proportion of the wheat it consumes. According to the Namibian Agronomic Board (NAB)<sup>2</sup>, Namibia imported 92% of the 137,337 tonnes of wheat it consumed in 2020. Namib Mills and Bokomo are the country’s two main wheat importers. Importers pay a 5% import levy imposed by the Namibian Agronomic Board and there are also transport costs associated with bringing the wheat to the millers in Windhoek.

Historically, Namibia has bought wheat from Russia which has offered good quality at a good price. However, following the invasion, importers are wary of importing from Russia as many shipping lines no longer wish to enter Russian waters or load on Russian territory.

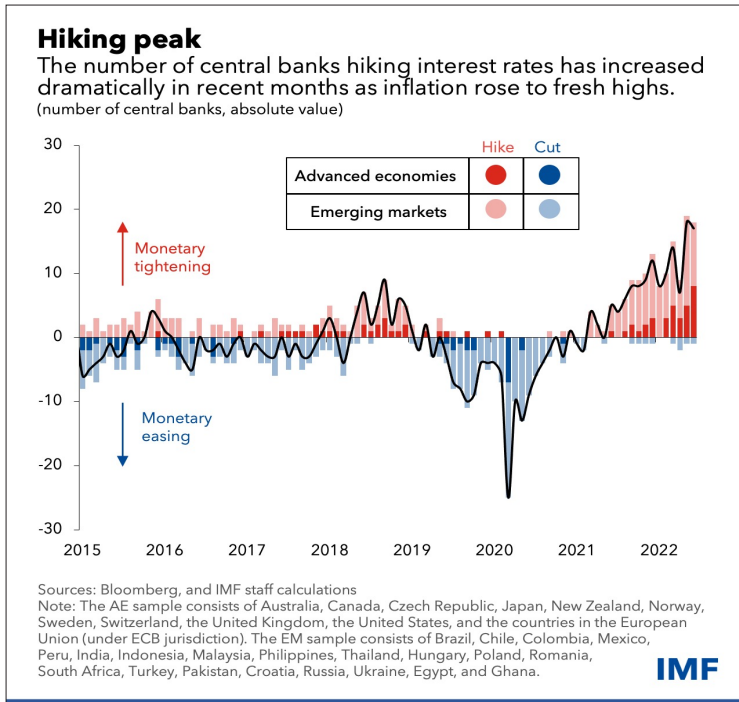
Russia was the world’s largest exporter of nitrogen, second largest exporter of potassium and third largest exporter of phosphorous fertilizers. In 2020 Namibia imported some 5% of the fertilizer it uses from Russia. Given this situation, it was to be expected that Namibia would be affected by events in Ukraine.

<sup>1</sup> “Against the Grain”, The Economist, 27 August 2022

<sup>2</sup> “The Impact of the Russia-Ukraine War on Namibia’s Crop Industry”, Policy Brief No.3, Namibian Agronomic Board, May 2022

## Interest Rates and Growth

Central banks around the world overwhelmingly reduced interest rates during the pandemic to provide as much support to significantly weakened levels of economic activity. As the world emerged from pandemic conditions, rates started rising and to a certain extent normalised. South Africa and Namibia were very much in line with the rest of the world<sup>3</sup>.

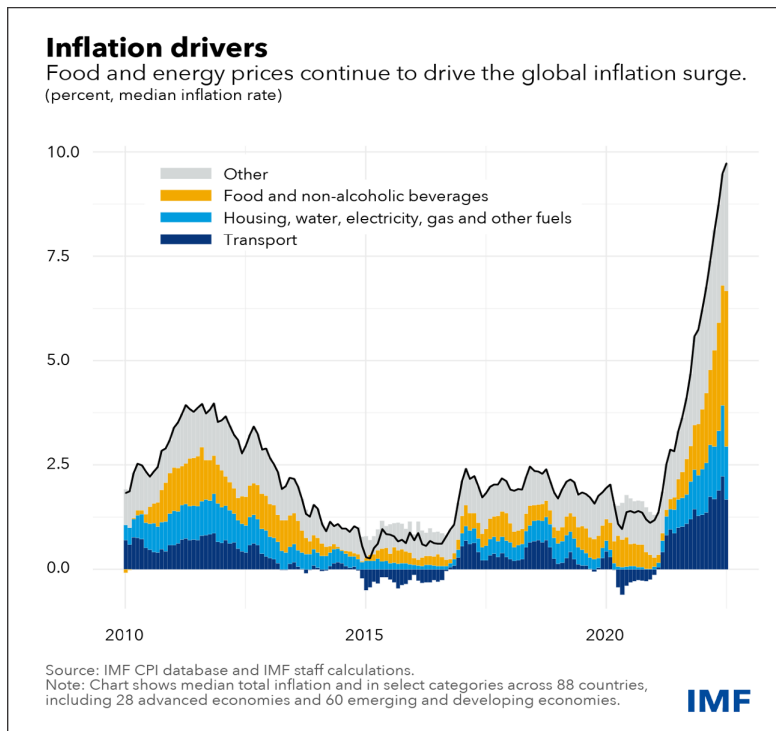


As described above, Russia’s invasion of Ukraine led to steep rises in key energy and food prices. Central banks, fearing these price rises could set off a wage-price spiral, accelerated their interest rate increases. The concern is that these rises could trigger recessions (negative growth) in major economies which could hit Namibia’s exports. Again, interest rate changes in South Africa and Namibia have been very much in line with the rest of the world. At this stage interest rates in the US are expected to peak in 2023 and decline thereafter with other high income countries following a similar pattern with some delay given they started tightening policy later than the US Federal Reserve Bank which started hiking rates from 17 March 2022.

<sup>3</sup> <https://www.imf.org/en/Blogs/chart-of-the-week>

## Namibian Inflation, Interest Rates, Energy and Food Prices

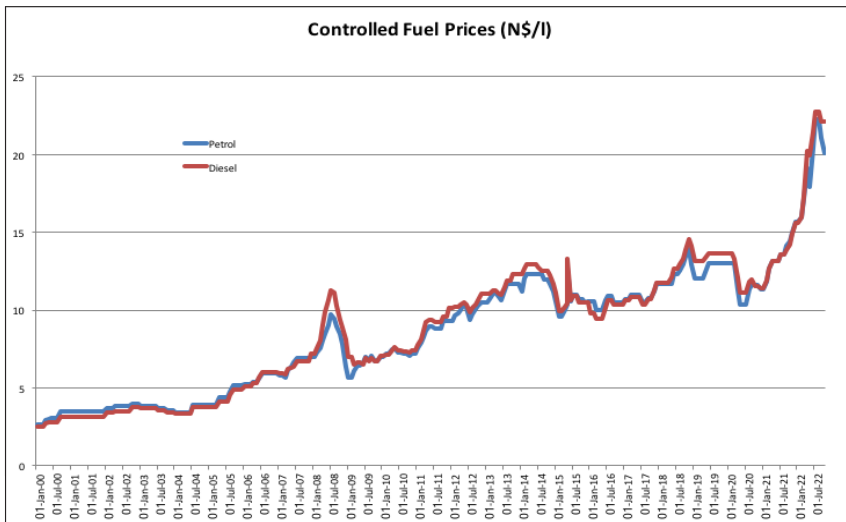
Emerging from the global pandemic to face higher energy and food prices, Namibia finds itself in the same boat as many other countries. Compounding higher prices in US dollars, Namibia’s currency has also weakened along with the South African Rand from around N\$16/US dollar at the beginning of the year to N\$18/US dollar at the end of the September. However, these currencies are not alone in facing dollar strength at this time of rising interest rates and slowing growth.



These trends are clearly visible in Namibia’s inflation statistics. Namib Mills announced price changes of between 3% and 6% for rice, bread flour, pasta, maize meal and other necessities earlier in the year effective from 25 April<sup>4</sup>. The chart below shows the percentage change in the various components of Namibia’s Consumer Price Index (NCPI) between January and September 2022. The categories Transport (16.3%) and Food and Non-Alcoholic Beverages (7.0%) have increased far more than other categories. Bread and Cereals, a subcategory of Food and Non-Alcoholic Beverages, has risen by 9.2%.

Namibian monetary policy aims to maintain the peg with the South African Rand. Interest rates therefore closely follow those in South Africa. The Bank of Namibia’s policy rate, the repo rate, has risen from 3.75% to 5.5% between the beginning of the year until the end of September whilst the South African Reserve Banks repo has risen from 4.0% to 6.25% during the same period.

<sup>4</sup> “Food Prices Starve Namibians”, *The Namibian*, 25 March 2022



## Namibian Policy Options

The above sections have described the mechanics of the global forces Namibia is subject to in oil and wheat. The question is what if anything can policymakers do about it to minimise the negative impact on the Namibian population, especially the most vulnerable?

To take the case of oil first, the short answer is very little. Like other oil-importing countries, Namibia is a price taker which has to pay the going price of oil determined by the global forces of supply and demand. Apart from constantly shopping around for the best prices, there is little Namibia can do to avoid paying high prices. It is true that a portion of the overall cost of petrol and diesel faced by the Namibian consumer consists of taxes and levies – the Road User Charge, the Fuel Levy, the Namcor Levy, and the MVA Levy – under the control of Namibian policy-makers. Energy Minister Tom Alweendo reduced the first three of these by 50% (the Road User Charge from 148c/l to 74c/l, the Fuel Levy (from 90c/l to 45c/l), the Namcor Levy from 7.6c/l to 3.8c/l) and the MVA Levy by 25% (from 50.3c/l to 37.725c/l) from 5 May 2022 for a limited period of three months (May, June, July) taking a total of 135.375c/l off the final price of petrol and diesel for consumers at an estimated cost of N\$120.4 million per month given monthly consumption of 89 million litres<sup>5</sup>. The three-month reduction in the Road User Charge, the Namcor Levy and the MVA Levy was extended by Cabinet on 3 August whilst the Dealer Margin was increased by 50c/l to 163c/l<sup>6</sup>. While such measures are important (as a political expression of solidarity if nothing else), they can only take the extreme peak off the price rise and for a limited period only because the revenues exist to fund important activities. Noteworthy is that Alweendo did not reduce the small 4c/l customs duty due to SACU and the fiscus.

The two alternative options are far less palatable. The first would involve the fiscus subsidising fuel from the national budget. The trouble with this is that policymakers, already facing severe fiscal constraints, would not know how long they would need to subsidise fuel for and expose themselves to open ended expenditure commitments. Subsidies once granted generally prove hard to withdraw at a later stage. Finally, fuel subsidies generally fail to benefit those worst off in society and it could be argued there are more effective ways of targeting the worst off. The second would be to try and negotiate special deals with selected oil exporters. Whilst Russia might be desperate to cultivate friends and allies in its perceived struggle against the West and Namibia has good relations with Russia (“a friend to all”), importing oil from Russia might entail more geopolitical problems than it is worth even if it can be arranged. There was a stage when Namibia was developing warm relations with Venezuela but this never amounted to concrete shipments of petroleum products. At a time when Namibia is cultivating a strategic energy partnership with the EU, now would not be a good time to buy oil from Russia.

<sup>5</sup> Ministry of Mines and Energy press release 29 April 2022

<sup>6</sup> Ministry of Mines and Energy press release 28 July 2022



With the prospect of Namibia becoming an oil producer in the coming years (the timeline is not certain), many local consumers might be hoping this could herald a new era of cheap petrol and diesel. Whilst there is unlikely to be an obligation on the companies that produce the oil to sell cheaply to Namibia (they will sell to the world market at world prices), the Government might decide in times of high prices to use its oil revenues to reduce prices locally. Whether this would be a good use of resources (rather than for example saving windfalls in the Sovereign Wealth Fund or investing them in education and training) would be a something policymakers would have to convince themselves of. That discussion, however, is years away and would depend in part on the degree to which Namibia's vehicle fleet was still dependent on petrol and diesel fuel.

The case of wheat and grains is not dissimilar. However, in principle, more wheat and other grains can be produced locally to substitute for imports. Provided this can be done at competitive prices this is an obvious solution. In theory higher global prices send a strong signal to local producers but this has not made much of an impact in the past and it is probably doubtful that Namibia can produce what it needs at competitive prices. If local prices are higher than global prices there is no advantage to having greater local production.

The orthodox alternative to subsidising local production would be to provide cash grants to those most in need of help. We have examined the idea of a Basic Income Grant (BIG) in [IPPR QER Q3 2021](#) here and found it fiscally unsustainable. However, experience with the Emergency Income Grant (EIG) introduced during the first Covid lockdown may provide evidence that a "second best" measure is feasible. In that case, 769,130 adults who were not formally employed or in receipt of cash grants benefited from a once-off grant of N\$750 at a cost to the fiscus of N\$576.8 million. It is not unrealistic that room could be found for such expenditure within the national budget although questions could be asked whether this is the right target group (as opposed to payments targeted at children for example) and how often payments would have to be made (low-cost electronic payments can be more regular than expensive deliveries of cash) to avoid people spending all the money at once. This would come on top of Namibia's existing cash grant system which was budgeted to cost approximately N\$4.8 billion in FY2022/23 (excluding N\$447 million for the veterans grant) and would become more affordable as veteran payments declined over time. It would represent a half-way house towards BIG and would be more efficient than food banks and would not be associated with significant labour market distortions.

In summary, Namibia is entering a difficult period over the next two years marked by higher global fuel prices, higher inflation, rising interest rates, possible recessions in key export markets and a strong dollar. Given its monetary arrangements, Namibia will have to follow interest rate changes in South Africa. Given its fiscal situation, Namibia has only very limited fiscal room to cushion the impact of higher fuel and food prices on the most vulnerable members of society. This period also coincides with the run-up to the next Presidential and Parliamentary elections in November 2024.

## News Highlights

| Date         | Highlight  | Commentary  |
|--------------|--|---|
| 29 September | African Development Bank approves US\$134.9 million post Covid recovery loan ( <i>AfDB</i> )       | The board of directors of the African Development Bank (AfDB) approved a US\$134.9 million (N\$2.3 billion) in co-financing for the second phase of Namibia's Governance and Economic Recovery Support Programme (GESPII). The German Development Bank KfW is processing a complementary budget support loan of €50 million.  |
| 28 September | <i>Airlink buys 40% of FlyNamibia (Fin24)</i>  | Independent South-Africa based Airlink announced it was buying a 40% strategic equity holding in privately-owned FlyNamibia for an undisclosed sum.   |
| 28 September | TotalEnergies CEO says Namibian find could be "giant" ( <i>Bloomberg</i> )                         | In an address to investors in New York, TotalEnergies CEO Patrick Pouyanne stated that the recent oil finds in offshore Namibia could be "giant" based on the finds from a single well.   |
| 22 September | South African Reserve Bank raises repo rate ( <i>SARB</i> )  | The South African Reserve Bank (SARB) raised its repo rate by 75 basis points from 5.50% to 6.25% at its Monetary Policy Committee meeting on bringing it up to levels last seen prior to the Covid-19 pandemic.  |
| 22 September | Cabinet approves TACs for hake and rock lobster ( <i>Xinhua</i> )                                  | Cabinet approved a Total Allowable Catch (TAC) for hake of 154,000 tonnes and for rock lobster of 180 tonnes for the 2022/23 fishing season which commences on 1 November.  |
| 19 September | Namibian Competition Commission approves Heineken takeover with conditions ( <i>The Exchange</i> ) | The Namibian Competition Commission (NaCC) approved Heineken's takeover of Namibian Breweries but imposed seven conditions including no retrenchments below management level for five years, products consumed in Namibia must be manufactured or at least bottled in Namibia, and the establishment of a small business development fund.  |
| 14 September | Namibia could earn N\$76 billion from bush encroachment ( <i>Namibia Economist</i> )               | Speaking after the launch of the National Strategy on the Sustainable Management of Bush Resources 2022-27 at the Standard Bank Biomass Fair in Windhoek on 8 September, Environment Minister Pohamba Shifeta said Namibia could generate N\$76 billion over the next 25 years if the 15.8 million hectares of bush encroached land is thinned in a sustainable way. The strategy document can be downloaded here.  |
| 12 September | Restriction on live cattle exports lifted ( <i>Namibia Economist</i> )                             | Namibia's Directorate of Veterinary Services in the Ministry of Agriculture, Water and Land Reform announced that South Africa had lifted the restrictions imposed on the import of live cattle from Namibia due to Foot and Mouth Disease provided certain measures are taken.   |
| 12 September | Hydrogen de France scoping report accepted ( <i>Reuters</i> )                                      | French independent power producer Hydrogen de France (HDF) Energy had its scoping report accepted by the Ministry of Environment, Forestry and Tourism which means it can proceed with its Environmental and Social Impact Assessment. HDF is proposing to construct a N\$3.1 billion green hydrogen power plant "Renewable Swakopmund" with 85MW of solar panels to deliver clean power 24 hours a day 7 days a week which it plans will become operational in 2024. |



## News Highlights

| Date         | Highlight  | Commentary   |
|--------------|--|--|
| 12 September | Four candidates elected in race for SWAPO Vice-Presidency ( <i>The Namibian</i> )  | Four candidates for the Vice-Presidency emerged from the SWAPO Central Committee meeting: Prime Minister Saara Kuugongelwa-Amadhila, Deputy Prime Minister Netumbu Ndaitwah, Defence Minister Frans Kapofi (later withdrawn) and Environment Minister Pohamba Shifeta.   |
| 9 September  | Use of passports between Namibia and Botswana to be abolished ( <i>The Namibian</i> )                                    | During a visit to Botswana, President Geingob announced that the requirement that nationals need to show a passport to travel between Namibia and Botswana would soon be removed. Instead an ID will suffice.  |
| 9 September  | Communications Regulatory Authority of Namibia announces reduction in interconnection rates ( <i>Namibia Economist</i> ) | The Communications and Regulation Authority of Namibia (CRAN) announced that interconnection charges would be reduced which means that mobile and fixed rates fall from N\$0.1c per minute to N\$0.05c per minute.   |
| 6 September  | Meat Board seeks to abolish small stock marketing scheme ( <i>Farmers Review Africa</i> )                                | A statement from the Meat Board of Namibia stated that the small stock marketing scheme introduced on 1 July 2004 had not worked and should be abolished.  |
| 25 August    | Four pilot projects awarded €30 million ( <i>Energy Capital &amp; Power</i> )  | Government awarded €30 million of German funding to four green hydrogen pilot projects: Cleanergy's green hydrogen refuelling station, green ammonia production, a hydrogen dual fuel locomotive project, testing green hydrogen applications in the port of Walvis Bay.   |
| 22 August    | Trevali halts Rosh Pinah expansion ( <i>Mining Weekly</i> )  | Financially troubled Canadian miner Trevali Mining suspended the expansion of Rosh Pinah mine as it filed for protection from its creditors after defaulting on a USD7.5 million debt payment.   |
| 22 August    | Government extends Rossing mining licence ( <i>The Namibian</i> )  | At the launch of a book celebrating the mine's 45-year history, Deputy Mines Minister Kornelia Shilunga disclosed that Government had extended Rossing Uranium's mining licence (ML28) by ten years from 2026 to 2036.   |
| 19 August    | Government launches African Continental Free Trade Area awareness campaign ( <i>New Era</i> )                            | In partnership with the United Nations Development Programme, Deputy Trade Minister Verna Simibo launched an awareness campaign to raise Namibian businesses' awareness of trade opportunities under the African Continental Free Trade Area (AfCFTA) which is expected to increase intra-African trade.         |
| 17 August    | The Bank of Namibia raises repo rate by 75bp ( <i>Bank of Namibia</i> )  | The Bank of Namibia's Monetary Policy Committee raised the repo rate by 75 basis points to 5.50% in response to rising inflation. This is the largest rise in almost two decades. The next MPC meeting is on 24 and 25 October 2022.   |
| 10 August    | Bank of Namibia expects growth of 3.2% in 2022 ( <i>Namibia Economist</i> )  | In its Economic Outlook for 2022, the Bank of Namibia forecasts the economy will grow by 3.2% in 2022 and 2.9% in 2023.  |
| 5 August     | Public sector unions call off strike ( <i>The Namibian</i> )   | President Geingob cancelled a trip to Jamaica to reach agreement with public sector unions on a 3% basic increase plus an 11% increase in housing benefit for non-management and 14% increase in travel benefit which led them to call off strike action. These increases will cost an estimated N\$924 million. |

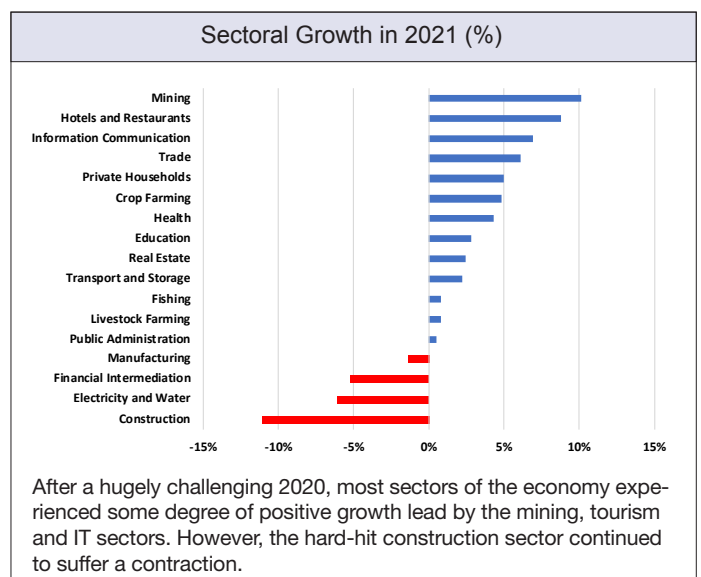
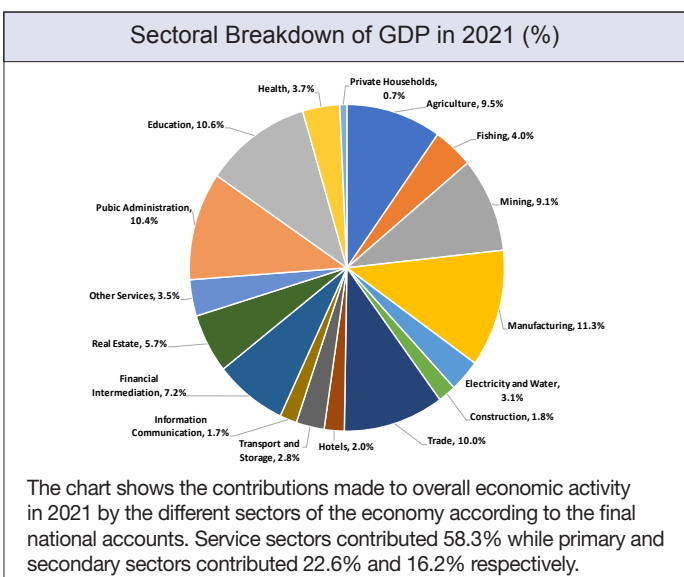
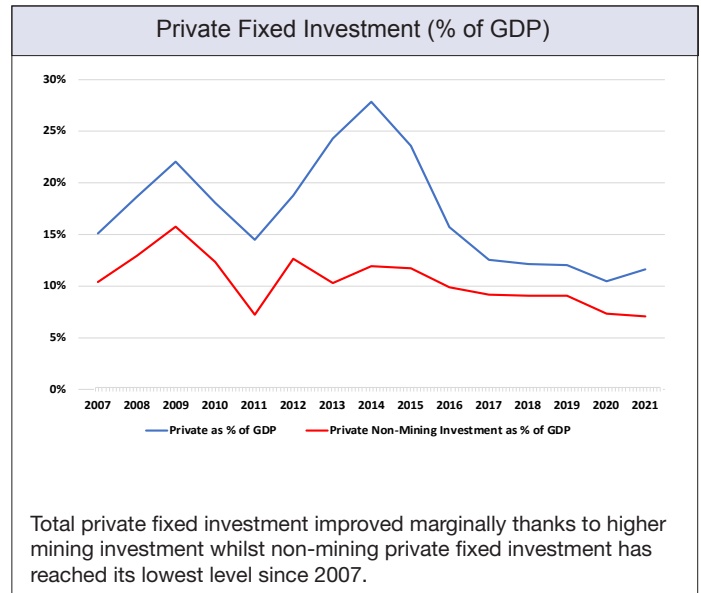
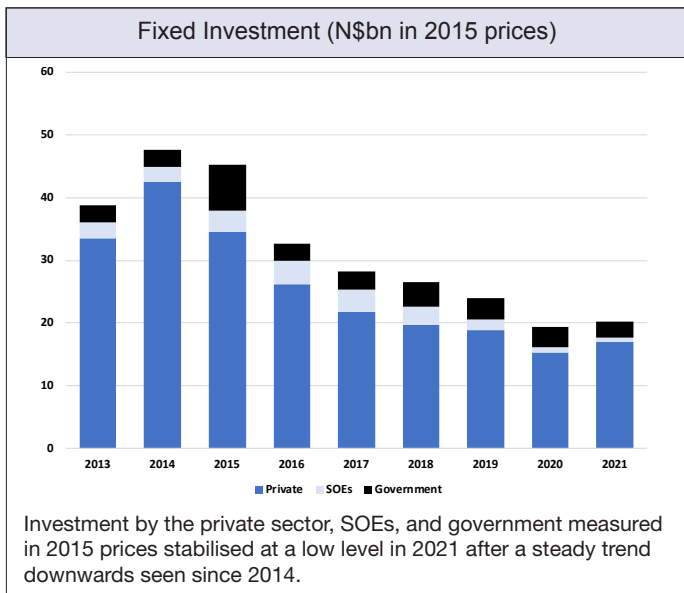
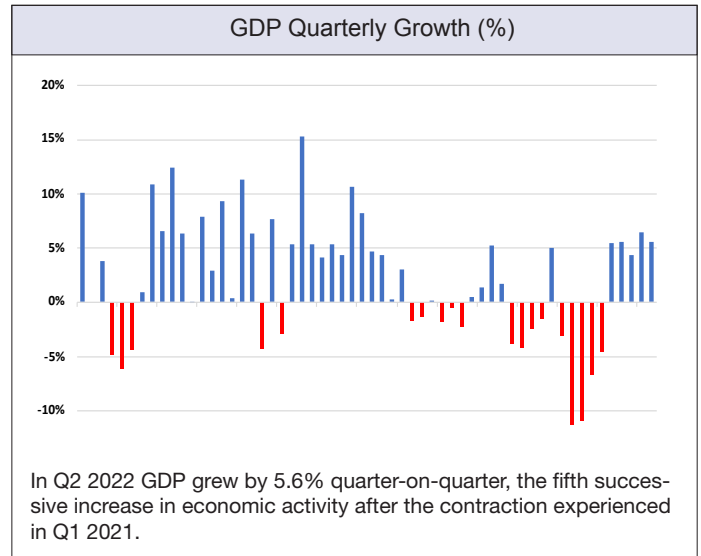
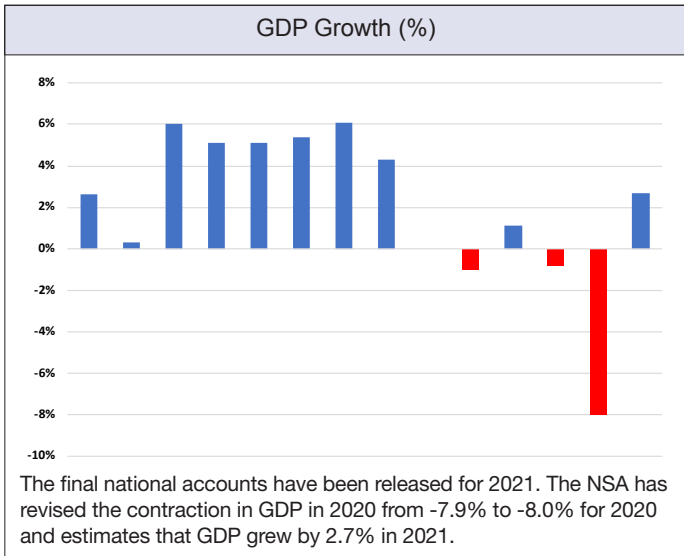
## News Highlights

| Date     | Highlight  | Commentary   |
|----------|--|--|
| 5 August | Fuel prices remain unchanged ( <i>New Era</i> )                                  | The Ministry of Mines and Energy announced that fuel prices would remain unchanged for August.   |
| 1 August | Peugeot-Opel production halted until rebates clarified ( <i>The Namibian</i> )   | Deputy Executive Director Michael Humavindu explained that no production would take place at the Peugeot-Opel plant in Walvis Bay until the Ministry of Finance approves the policy of tax rebates under rules of origin rules of the Southern Africa Customs Union (SACU).                |
| 1 August | Civil servants vote to strike ( <i>The Namibian</i> )                            | Civil servants voted to go on strike by 42,216 to 1,232 votes out of an estimated total of 108,875 civil servants as at 31 December 2021. However, the Namibian Public Workers Union announced a strike would not take place immediately.  |
| 29 July  | Paratus opens new data centre ( <i>Africa Review</i> )                           | Paratus opened a new data centre in Windhoek offering clients.   |
| 26 July  | Foreign tourists rise 21% over 2020 ( <i>Xinhua</i> )                            | Tourism Minister Pohamba Shifeta reported that foreign tourist arrivals had increased 40.9% in 2021 compared to 2020 reaching 270,644.   |
| 21 July  | Namibian wealth holders revealed ( <i>The Namibian</i> )                         | The Africa Wealth Report 2022 drawn up by Henley and Partners revealed that about 1,760 Namibians owned N\$410 billion of private wealth. It further stated that there are three billionaires, 60 centimillionaires and 700 multi-millionaires in the country.                             |
| 21 July  | Namdeb produces 565,000 carats in Q2 2022 ( <i>AA</i> )                          | Anglo American reported that Namdeb Holdings produced 565,000 carats in Q2 2022 compared to 451,000 carats in Q1 2022 and 338,000 carats in the same quarter of 2021. Out of this total 77,000 carats came from land-based operations.   |
| 21 July  | Nearly 20% of forestry lost in 30 years ( <i>Namibia Economist</i> )             | Environment and Forestry Minister Pohamba Shifeta reported that Namibia had lost almost 20% of its forestry.   |
| 16 July  | President Geingob lifts all Covid restrictions ( <i>Xinhua</i> )                 | At Namibia's 45th Covid briefing, President Hage Geingob lifted all Covid restrictions and promised Government would intensify its vaccination campaign.   |
| 19 July  | Germany appoints Baake as special emissary on green hydrogen ( <i>Recharge</i> ) | Germany's Economic and Climate Minister Robert Habeck appointed former energy state secretary Rainer Baake as special emissary for energy cooperation with Namibia, tasked with implementing the gigantic ramp-up of a green hydrogen economy. Baake conducted a ten-day visit to Namibia. |
| 18 July  | Namibia ranked in top ten of debt defaulters ( <i>The Namibian</i> )             | Namibia was ranked tenth in the world among countries most likely to default on their debts in the latest Sovereign Debt Vulnerability rankings.   |
| 15 July  | Pilot desalination plant inaugurated ( <i>Xinhua</i> )                           | Deputy Agriculture Minister Anne Shiweda inaugurated a pilot desalination plant for the village of Bethanie designed to produce 487 litres of water a day until 2037 and powered by solar and wind energy.   |
| 14 July  | Otjikoto mine produces 31,417 ounces of gold in Q2 2022 ( <i>B2Gold</i> )        | B2Gold reported that its Otjikoto mine produced 31,417 ounces of gold in Q2 2022, 6% below budget "due to a slower than planned ramp-up in development of the Wolfshag Underground mine, resulting in lower than budgeted mined grade."  |

## News Highlights

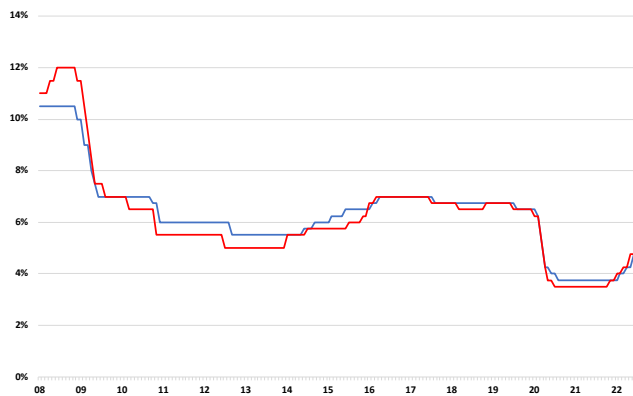
| Date    | Highlight   | Commentary   |
|---------|---|--|
| 13 July | Fuel retailers urge rescue profit margin ( <i>The Namibian</i> )                    | The Fuel and Franchise Association of Namibia (FAFA) published a letter urging government to implement an interim rescue profit margin to save them from evaporating profits in the face of higher fuel prices.  |
| 13 July | Namibia closes gender gap ( <i>World Economic Forum</i> )                           | Namibia was ranked 8th in the world and 2nd in Africa (after Rwanda) in the World Economic Forum's Global Gender Gap Index rankings 2022.  |
| 11 July | Financial Institutions Market Act introduction delayed ( <i>Namibia Economist</i> ) | The Namibian Financial Institutions Supervisory Authority (NAMFISA) announced that the new Financial Institutions and Markets Act will not come into force on 1 October as originally planned and a new date will be communicated.   |
| 4 July  | Savannah Beef raises N\$146 million ( <i>The Namibian</i> )                         | Private company Savannah Beef raised N\$146 million through a private placement with 549 beef producers to develop a new beef export facility which will provide competition to the troubled state-owned Meatco.   |
| 4 July  | Fuel prices to increase in July ( <i>Namibia Economist</i> )                        | The Ministry of Mines and Energy announced petrol and diesel prices would increase by N\$1.88 and N\$1.34 respectively from 6 July due to large under-recoveries in June.  |
| 1 July  | Equiano cable comes ashore ( <i>Submarine Telecoms Forum</i> )                      | The Equiano submarine internet cable, which involves local partners Paratus Group and Telecom Namibia, was brought ashore at Swakopmund. Equiano is expected to become operational in Q4 this year and add to the existing West Africa Cable System (WACS) providing Namibia with 20 times more capacity and 2.5 times the internet speed. |

## Key Economic Variables



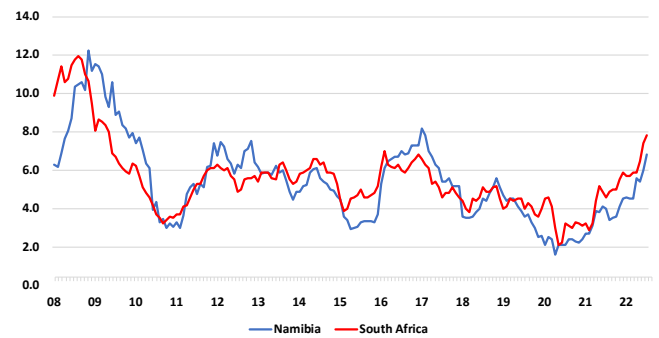
## Key Economic Variables

### Namibian and SA Repo Rates (%)



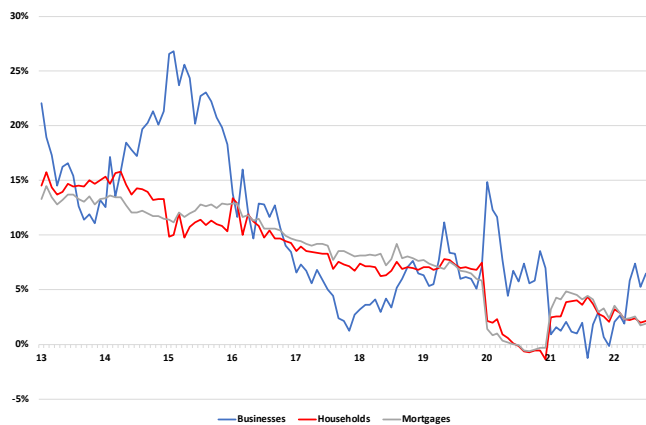
In response to higher inflation primarily due to a more inflationary global environment, the Reserve Bank of South Africa and the Bank of Namibia started raising rates in early 2022 with both ending Q3 at 5.5%.

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



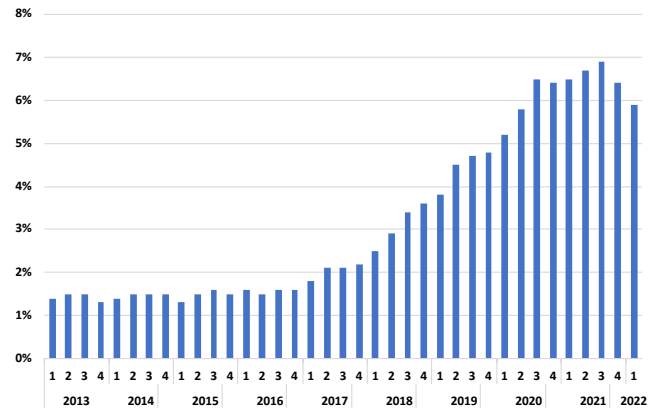
Namibian consumer inflation has steadily climbed since the lows experienced during 2020 to reach 6.8% in July 2022 compared to 7.8% in South Africa.

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



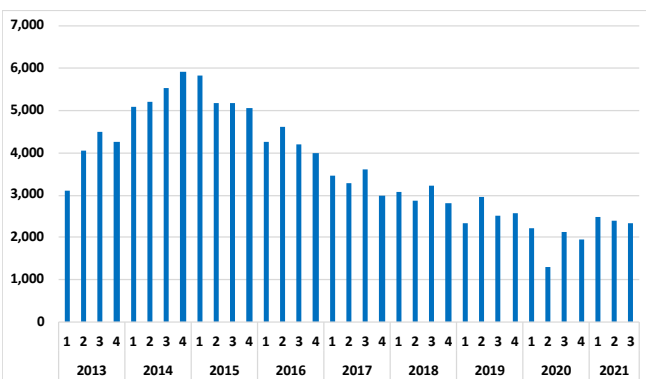
Credit growth to business has risen since the lows of 2021 whilst credit to households has remained subdued as is residential mortgage lending.

### Non-Performing Loans (%)



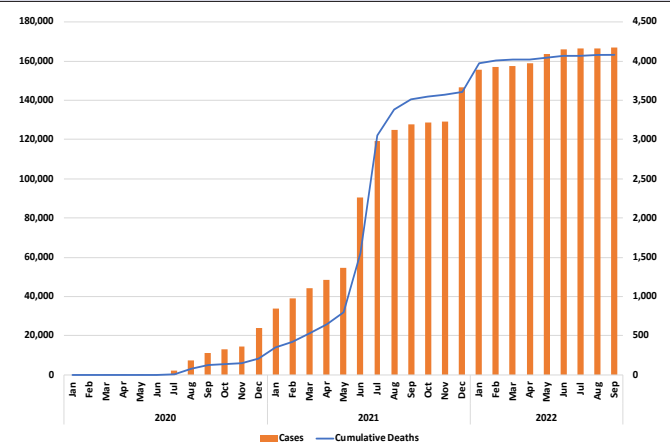
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia continued to fall from a peak of 6.9% at the end of Q3 2021 to reach 5.9% at the end of Q1 2022

### New Vehicle Sales (Unit Sold)



The combined sales of new commercial and private vehicles rose from 2,200 in Q4 2021 to 2642 in Q1 2022 but it is yet to be seen if this represents a longer-term trend.

### Covid (Cases and Deaths)



As of 30 September 2022, the total number of Covid infections since the pandemic started had increased to 166,774 including reinfections with a recovery rate of 97.5%. The cumulative total number of deaths since the beginning of the pandemic totalled 4,080 according to Ministry of Health/WHO statistics. President Geingob held the 45th and last Covid-19 briefing on 15 July 2022 and Health Minister Shangula held the last Covid-19 Weekly Briefing for 18-24 August. From the next quarter we will no longer publish this chart.

## Data Trends

|  | Unit             | 2016       | 2017         | 2018         | 2019         | 2020           | 2021           |
|--|------------------|------------|--------------|--------------|--------------|----------------|----------------|
| <b>Annual Economic Growth</b>          |                  |            |              |              |              |                |                |
| GDP                                    | %                | 0.0%       | -1.0%        | 1.1%         | -0.8%        | -8.0%          | 2.7%           |
| GDP current prices                     | N\$m             | 157,708    | 171,570      | 181,067      | 181,211      | 174,208        | 181,935        |
| Change in Mining Value Added           | %                | -10.7%     | 14.2%        | 16.1%        | -8.7%        | -15.0%         | 10.1%          |
| Change in Manufacturing Value Added    | %                | 10.0%      | -1.6%        | -0.4%        | 4.7%         | -17.1%         | -1.4%          |
| <b>Fixed Investment</b>                |                  |            |              |              |              |                |                |
| Fixed Investment                       | % of GDP         | 21.8%      | 17.9%        | 16.9%        | 15.8%        | 13.4%          | 14.3%          |
| Change in Fixed Investment             | %                | -27.7%     | -13.7%       | -6.0%        | -9.5%        | -19.2%         | 4.0%           |
| Fixed Investment - Government          | '000 N\$m        | 5,586      | 5,127        | 4,858        | 4,616        | 4,099          | 3,739          |
| Fixed Investment - SOEs                | '000 N\$m        | 4,000      | 4,068        | 3,678        | 2,034        | 1,047          | 954            |
| Fixed Investment - Private             | '000 N\$m        | 24,836     | 21,570       | 22,008       | 21,893       | 18,247         | 21,248         |
| <b>Prices and Interest Rates</b>       |                  |            |              |              |              |                |                |
| Average Inflation                      | %                | 6.7%       | 6.1%         | 4.3%         | 3.7%         | 2.2%           | 3.6%           |
| Year End Prime Lending Rate            | %                | 10.75%     | 10.50%       | 10.50%       | 10.25%       | 7.50%          | 7.50%          |
| Year End Repo Rate                     | %                | 7.00%      | 6.75%        | 6.75%        | 6.50%        | 3.75%          | 3.75%          |
| <b>Trade and Balance of Payments</b>   |                  |            |              |              |              |                |                |
| Exports - total goods                  | N\$b             | 48.0       | 49.8         | 56.6         | 57.5         | 53.7           | 53.1           |
| Exports - total services               | N\$b             | 7.2        | 7.9          | 8.4          | 8.4          | 4.6            | 4.6            |
| Imports - total goods                  | N\$b             | 82.9       | 73.8         | 75.2         | 77.0         | 66.5           | 80.5           |
| Imports - total services               | N\$b             | 10.1       | 7.9          | 7.8          | 7.3          | 6.1            | 6.8            |
| Trade Balance                          | N\$b             | -37.8      | -24.0        | -18.0        | -18.3        | -14.5          | -29.6          |
| Balance of Payments                    | N\$b             | -23.3      | -5.5         | -4.3         | -2.3         | 8.8            | -13.6          |
| as % of GDP                            | %                | -14.7%     | -3.2%        | -2.4%        | -1.3%        | 5.1%           | -7.5%          |
| <b>Foreign Exchange</b>                |                  |            |              |              |              |                |                |
| Year End Exchange Rate (N\$ to USD)    | N\$              | 13.6240    | 12.3930      | 14.4116      | 14.0418      | 14.6246        | 15.8899        |
| Year End Exchange Rate (N\$ to EUR)    | N\$              | 14.3403    | 14.8063      | 16.4848      | 15.7437      | 17.9897        | 17.9794        |
| Year End Exchange Rate (N\$ to GBP)    | N\$              | 16.7264    | 16.6789      | 18.3424      | 18.4383      | 19.9801        | 21.4752        |
| Foreign Exchange Reserves              | N\$b             | 24.7       | 30.2         | 31.0         | 28.9         | 31.7           | 43.9           |
| Fitch credit rating (at year end)      |                  | BBB- (-ve) | BB+ (stable) | BB+ (stable) | BB           | BB (negative)  | BB (negative)  |
| Moody's credit rating (at year end)    |                  | Baa3 (-ve) | Ba1 (-ve)    | Ba1 (-ve)    | Ba2 (stable) | Ba3 (negative) | Ba3 (negative) |
| <b>Financial Sector</b>                |                  |            |              |              |              |                |                |
| Private Sector Credit Extension Growth | %                | 8.9%       | 5.1%         | 6.6%         | 6.8%         | 2.0%           | 2.9%           |
| Non-Performing Loans                   | % of total loans | 2.5%       | 2.9%         | 3.6%         | 4.8%         | 6.4%           | 6.4%           |
| NSX Overall Index (at year end)        | Index            | 1,069      | 1,206        | 1,303        | 1,306        | 1,232          | 1,572          |
| NSX Local Index (at year end)          | Index            | 547        | 591          | 621          | 614          | 456            | 529            |
| New Local Listings                     |                  | 0          | 1            | 0            | 1            | 0              | 1              |
| <b>Business Indicators</b>             |                  |            |              |              |              |                |                |
| Namdeb Diamond Production              | '000 carats      | 1,573      | 1,805        | 2,008        | 1,700        | 1,448          | 1,467          |
| Uranium Production                     | tonnes           | 3,654      | 4,224        | 5,525        | 5,476        | 5,413          | 5,753          |
| Gold Production                        | kg               | 6,604      | 7,272        | 6,171        | 6,526        | 6,254          | 7,103          |
| SHG Zinc Production                    | tonnes           | 85,427     | 84,215       | 65,993       | 67,295       | 659            | 0              |
| Mining Licences Granted                | number           | 1          | 2            | 3            | 4            | 6              | 11             |
| Exploration Licences Granted           | number           | 142        | 174          | 259          | 297          | 243            | 97             |
| Number of Companies Formed             | number           | 1,409      | 1,110        | 2,851        | 1,153        | 852            | n/a            |
| New Vehicle Sales                      | number           | 17,038     | 13,352       | 11,998       | 10,379       | 7,606          | 9,414          |
| Tourist Arrivals                       | '000             | 1,469      | 1,499        | 1,557        | 1,596        | 170            | 234            |
| - From Africa                          | '000             | 1,094      | 1,091        | 1,164        | 1,252        | 112            | n/a            |
| - From Europe                          | '000             | 295        | 312          | 306          | 256          | 45             | n/a            |
| - From RoW                             | '000             | 81         | 97           | 87           | 89           | 12             | n/a            |
| International Arrivals at HKIA         | '000             | 143        | 213          | 247          | 215          | 46             | 63             |
| Regional Arrivals at HKIA              | '000             | 248        | 242          | 239          | 223          | 45             | 64             |



## Data Trends

|   |              | 2016            | 2017            | 2018            | 2019            | 2020            | 2021            |                 |
|---|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Employment</b>                           |              |                 |                 |                 |                 |                 |                 |                 |
| Government                                  |              | 88,421          | n/a             | 86,587          | n/a             | n/a             | n/a             |                 |
| Parastatals                                 |              | 25,558          | n/a             | 30,654          | n/a             | n/a             | n/a             |                 |
| Private Companies                           |              | 235,877         | n/a             | 214,693         | n/a             | n/a             | n/a             |                 |
| Private Households                          |              | 136,417         | n/a             | 70,036          | n/a             | n/a             | n/a             |                 |
| Total                                       |              | 486,273         | n/a             | 401,970         | n/a             | n/a             | n/a             |                 |
| <b>Government Finances</b>                  |              | <b>FY 16/17</b> | <b>FY 17/18</b> | <b>FY 18/19</b> | <b>FY 19/20</b> | <b>FY 20/21</b> | <b>FY 21/22</b> | <b>FY 22/23</b> |
| Revenue                                     | N\$bn        | 50.9            | 58.7            | 55.9            | 58.4            | 57.8            | 53.4            | 59.7            |
| Expenditure                                 | N\$bn        | 62.2            | 67.5            | 65.1            | 67.3            | 72.0            | 69.7            | 70.8            |
| Balance                                     | N\$bn        | -11.4           | -8.9            | -9.2            | -8.9            | -14.2           | -16.2           | -11.1           |
| Public Debt                                 | N\$bn        | 69.9            | 74.5            | 87.5            | 100.4           | 110.6           | 125.8           | 140.2           |
| Interest Payments                           | N\$bn        | 4.3             | 5.4             | 6.3             | 7.0             | 7.4             | 8.3             | 9.2             |
| Public Guarantees                           | N\$bn        | 6.4             | 11.0            | 10.9            | 11.1            | 10.1            | 11.5            | 12.1            |
|   |              |                 |                 |                 |                 |                 |                 |                 |
| Revenue                                     | % of GDP     | 31.6%           | 33.7%           | 30.9%           | 32.6%           | 32.5%           | 28.6%           | 30.2%           |
| Expenditure                                 | % of GDP     | 38.6%           | 38.8%           | 36.0%           | 37.6%           | 40.4%           | 37.3%           | 35.8%           |
| Balance                                     | % of GDP     | -7.1%           | -5.1%           | -5.1%           | -5.0%           | -8.0%           | -8.7%           | -5.6%           |
| Public Debt                                 | % of GDP     | 43.4%           | 42.8%           | 48.4%           | 56.0%           | 62.1%           | 67.3%           | 71.0%           |
| Interest Payments                           | % of revenue | 8.5%            | 9.3%            | 11.3%           | 11.9%           | 12.8%           | 15.5%           | 15.4%           |
| Public Guarantees                           | % of GDP     | 3.9%            | 6.3%            | 6.0%            | 6.2%            | 5.7%            | 6.2%            | 6.1%            |
|   |              |                 |                 |                 |                 |                 |                 |                 |
|   |              | <b>2016</b>     | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     | <b>2020</b>     | <b>2021</b>     | <b>2022</b>     |
| <b>International Rankings</b>               |              |                 |                 |                 |                 |                 |                 |                 |
| Global Competitiveness Index Ranking        |              | 84/135          | 99/135          | 100/140         | 94/141          | n/a             | n/a             | n/a             |
| Global Competitiveness Index                |              | 4.0             | 4.0             | 4.0             | 54.5            | n/a             | n/a             | n/a             |
| Energy Transition Index Ranking             |              | 53/114          | 56/114          | 59/114          | 58/115          | 63/115          | 59/115          | n/a             |
| Energy Transition Index                     |              | 57.6            | 56.9            | 57.4            | 58.1            | 57.7            | 58.2            | n/a             |
| Ease of Doing Business Ranking              |              | 104/189         | 108/190         | 106/190         | 107/190         | 104/190         | scrapped        | scrapped        |
| Ease of Doing Business Index                |              | 59.61           | 59.57           | 60.29           | 60.53           | 61.4            | scrapped        | scrapped        |
| Corruption Perceptions Index Ranking        |              | n/a             | 53/180          | 52/180          | 56/180          | 57/180          | 58/180          | n/a             |
| Corruption Perceptions Index                |              | 52              | 51              | 53              | 52              | 51              | 49              | n/a             |
| Ibrahim Index of African Governance Ranking |              | 5/54            | 5/54            | 4/54            | n/a             | 7/54            | n/a             | n/a             |
| Ibrahim Index of African Governance         |              | 69.3            | 71.2            | 68.6            | n/a             | 65.1            | n/a             | n/a             |
| Investment Attractiveness Index Ranking     |              | 53/104          | 54/91           | 60/83           | 55/76           | 52/77           | 59/84           | n/a             |
| Investment Attractiveness Index             |              | 66.11           | 60.67           | 56.66           | 58.22           | 59.72           | 52.59           | n/a             |
| Open Budget Index (out of 100)              |              | n/a             | 50              | n/a             | 51              | n/a             | 42              | n/a             |
| World Press Freedom Index - Ranking         |              | 17/180          | 24/180          | 26/180          | 23/180          | 23/180          | 24/180          | 18/180          |

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

**Note:** On 16 September 2021 the World Bank issued a statement announcing it would discontinue its flagship Doing Business report. This followed a detailed investigation after data irregularities in Doing Business 2018 and 2020 were reported internally in June 2020. We will keep the Index and Rankings in our table for the time being.

**Note:** From Q4 2021 we have included the annual Energy Transition Index and Ranking produced by the World Economic Forum. In 2021 Namibia ranked 59th out of 115 countries.