Namibia QER Q4 2022

Namibia Quarterly Economic Review — October-December 2022

Quarter Summary

Macroeconomic Situation

The economy continues to recover from the severe damage imposed by the Covid pandemic in 2020. The NSA's full National Accounts for 2021 showed that the size of the economy as measured by real Gross Domestic Product (GDP) grew by 2.7% in 2021 after falling by a revised 8% in 2020. In real terms, Namibia's economy in 2021 was still smaller than it was in 2014. In current prices, GDP in 2021 was N$181.9 billion. GDP per capita was N$71,341. In its latest December 2022 Economic Outlook, the Bank of Namibia sees GDP growing by 3.9% in 2022, 2.7% in 2023 and 2.4% in 2024. The Bank of Namibia's repo rates rose over the quarter from 5.50% at the end of September to 6.75% at the end of December, 25 basis points lower than in South Africa. At its last Monetary Policy Committee meeting in November the Bank of Namibia predicted inflation would average 6.1% in 2022 and 4.9% in 2023. The Minister of Finance tabled the Mid-Year Budget Review (MYBR) on 25 October. Revenues were higher than expected in the main budget which allowed the Minister to increase spending. The ratio of public debt as a proportion of GDP continues to climb albeit at a slower pace. More details on the MYBR can be found here.

Policy Developments

The last quarter saw Namibia become the first country in Africa to join 48 other countries in introducing a Digital Nomad visa for people who can work remotely and meet a certain income threshold. The Ministry of Industrialisation, Trade and SME Development and the Namibian Investment Promotion and Development Board (NIPDB) launched a one stop shop for investors designed to provide a single access point for information and services for

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investors. These are welcome innovations but do not overcome the more fundamental issue of how to replace the Namibia Investment Promotion Act of 2016. In his Mid-Year Budget Review, the Minister of Finance reported “a revised version of the Namibia Investment Promotion and Facilitation Bill has been produced by the dedicated Technical Committee and will be workshopped for inputs from several stakeholders over the next two months.” This is a critical piece of legislation as Namibia stands on the threshold of very significant investments in the energy sector and elsewhere. The lack of a clear investment framework did not appear to hinder the award of preferred bidder status to Swiss-based Terminal Investment Limited to operate the container port at Walvis Bay or prevent further drilling by international oil companies to firm up deposits announced at the beginning of 2022. In his speech, the Minister went on to add that “the Special Economic Zone (SEZ) Policy was approved by Cabinet in August 2022. The technical team has commenced with drafting the bill, which will be shared with relevant stakeholders for inputs as customary.” It is not clear whether this draft has been made public. He also committed Government to cutting non-mining corporate income tax to 31% in FY24/25 and 30% in FY25/26. As far as is known, there is no later draft of the National Equitable Economic Empowerment Bill than the one shared in November 2020.

Political Developments

The governing party held its Seventh SWAPO Party Congress from 24-28 November under the slogan “SWAPO Party United and Marching Towards Economic Development for All Namibians. Deputy Prime Minister and Minister for International Relations and Cooperation Netumbo Nandi-Ndaitwah beat Prime Minister Saara Kuugongelwa-Amadhila and Environment Minister Pohamba Shifeta to retain her post of SWAPO Vice President. Delegates gave her 421 votes – more than the 50% required – compared to 270 for Kuugongelwa-Amadhila and 91 for Shifeta. This puts her in pole position to become the party’s candidate for President in the November 2024 presidential elections. If she wins she will become Namibia’s first female President. President Hage Geingob was re-elected SWAPO President for another five-year term which allows him to stay on in the position until 2027 should he choose to do so. The Party appeared to rally round and support the outcome of the Congress which also passed 35 pages of resolutions including a call to revive Air Namibia. Minister of Finance Iipumbu Shiimi came sixth in elections to the SWAPO Politburo.

Special Feature: Namibia’s Public Debt - What is Sustainable?

Introduction

This feature summarises the current state of Namibian public debt. It provides an update on the feature contained in the IPPR QER of Q2 2019 (Rising Debt, Falling Growth Means Tough Choices Ahead – Namibia’s Public Debt) which focused on the unprecedented media release of 23 May 2019 published by then Minister of Finance Calle Schlettwein in response to public concerns on the sustainability of Namibia’s public debt.

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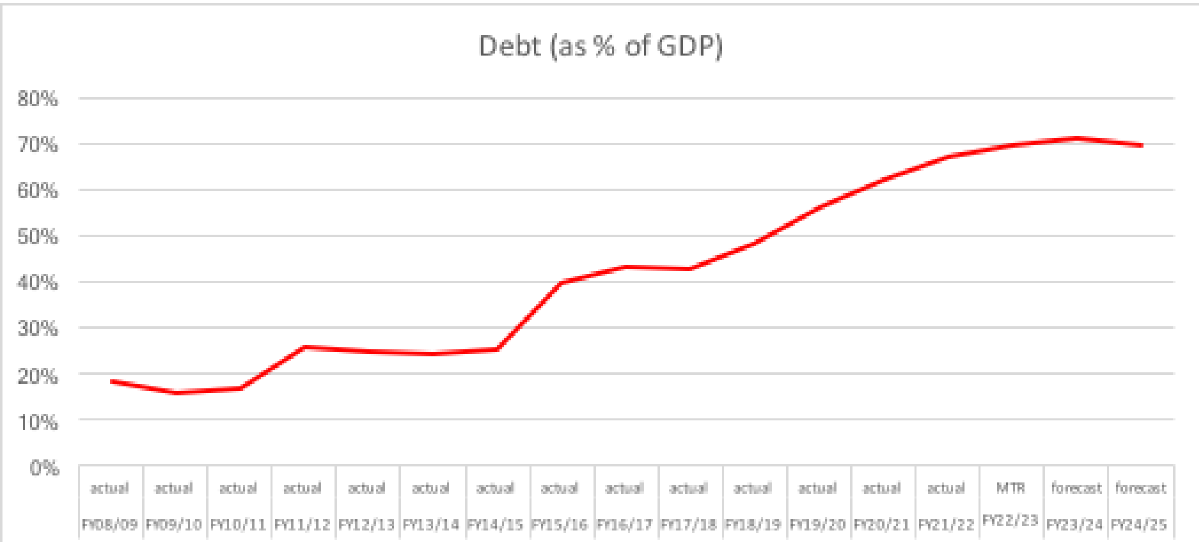
Level of Public Debt

Our recent publications have highlighted the extent to which Namibian public debt has risen in recent years. The chart below was contained in our article on the Mid-Year Budget Review (MYBR) which lays out the revenue and expenditure trends which have combined to produce the overall levels of public debt which the Minister expects to reach 69.6% in FY22/23, peak at 71.0% in FY23/24 before declining somewhat to 69.8% in FY24/25. These are of course forecasts subject to some uncertainty. Fitch Ratings, for example, states that it expects Namibia's budget deficit this year to reach 7.1% of GDP in FY22/23 compared to what they say is the Minister's prediction of 5.9%. It is worth noting that public debt started to rise sharply as growth evaporated around FY15/16 well before the Covid pandemic, which required additional borrowing. As a consequence, and in parallel with rising levels of debt, Namibia's sovereign credit rating has steadily deteriorated as shown in our data table. This means Namibia is decreasingly seen as a "safe bet" and makes it harder or more expensive to raise funds internationally. Public debt has risen significantly since the time Schlettwein felt the need to publish a press release when the overall level of debt was around 56% of GDP.

Chart 1: Public Debt as % of GDP from FY08/09



Source: Ministry of Finance Mid-Year Budget Review

In parallel with the deteriorating debt situation, Namibia's sovereign credit rating (a measure of the country's creditworthiness) provided by Fitch Ratings and Moody's has also deteriorated from investment grade to junk status after downgrades in 2017.

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Table 1: Namibia's Sovereign Credit Rating 2016-2021 (at year end)

	2016	2017	2018	2019	2020	2021	2022
Fitch	BBB- (-ve)	BB+ (stable)	BB+ (stable)	BB	BB (-ve)	BB (-ve)	BB- (stable)
Moody's	Baa3 (-ve)	Ba1 (-ve)	Ba1 (-ve)	Ba2 (stable)	Ba3 (-ve)	Ba3 (-ve)	B1 (stable)

Composition of Public Debt

This QER expresses public debt as a proportion of GDP, in other words in relation to the size of the Namibian economy, which is how economists tend to look at debt rather like one sees an individual's level of debt in relation to their income. Regular information on Namibia's public debt can be found in the Bank of Namibia's Quarterly Bulletin which has been much improved in recent years and is now published in a more timely fashion. In current money terms, the value of outstanding Namibian public debt was N$135.7 billion at the end of September 2022, of which N$101.5 billion is domestic debt and N$34.2 billion foreign debt (including South African Rand). A full breakdown of this amount is contained in the table below. The value of debt in currencies other than the local currency (the Namibia dollar) has been converted into Namibia dollar values by the Bank of Namibia using prevailing market exchange rates and rounded to the nearest million. The table groups debt into various categories.

Treasury Bills are short-term government debt with maturity of up to a year. Namibia has four classes of T-Bills: 91-day, 182-day, 273-day and 365-day. Together the outstanding amount of T-Bill debt was N$34.5 billion.

Index-Linked Bonds (ILBS) are bonds that pay a rate of return that is linked to the rate of inflation. At the end of September 2022, Namibia had six outstanding ILBS with maturities from 2022 to 2036 worth N$8.7 billion.

Internal Registered Stock (IRS) are bonds that pay a rate of return (or coupon) determined at the time of sale. At the end of September 2022, Namibia had 15 outstanding IRS with maturities from 2023 to 2050, worth N$58.3 billion.

The total value of T-Bills and bonds outstanding at the end of September was N$101.5 billion. T-Bills and bonds are used to fund the general operations of government and not tied to particular projects, programmes or initiatives. Exactly how this is done to smooth other government revenues through economic ups and downs is an important objective of macroeconomic policy which we do not go into here. Government normally strives to ensure recurrent revenues (not windfalls or borrowings) cover its recurrent expenditures but in recent years Government has been borrowing to pay for its recurrent expenditure rather than to finance capital expenditure. When government sells T-Bills or Bonds to the market (primarily banks and other financial institutions in Namibia), it must pay a rate of interest on this debt that varies according to economic conditions. Since February 2022 interest rates in Namibia have been on the way up, which means Government must pay

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higher rates of interest on the debt it sells and must set aside the resources to do so. Government can also force the market to buy its debt through domestic asset requirements, but this will result in lower returns and higher risks for investors as investments become correlated to domestic economic performance.

Table 2: Breakdown of Namibian Public Debt at End of September 2022

Debt Category	Term	Value (N$m)	Totals
Treasury Bills (T-Bills)	91-day	3,272	Total T-Bills N$34,480m
	182-day	5,769	
	273-day	10,859	
	365-day	14,580	
Index-linked Bonds (ILBS)	GI22	1,970	Total ILBS N$8,738m
	GI25	1,963	
	GI27	788	
	GI29	1,607	
	GI33	1,435	
	GI36	976	
Internal Registered Stock	GC23	3,823	Total IRS N$58,301m
	GC24	4,237	
	GC25	4,073	
	GC26	4,444	
	GC27	4,620	
	GC28	1,047	
	GC30	6,435	
	GC32	5,451	
	GC35	4,948	
	GC37	4,093	
	GC40	4,454	
	GC43	2,680	
	GC45	3,952	
	GC48	1,194	
	GC50	2,850	
Multilateral Debt	Euro	526	Total Multilateral N$16,041m
	USD	150	
	Pound	1	
	Rand	10,936	
	Franc	42	
	Dinar	9	
	SDR	4,350	
	Yen	27	
Bilateral Debt	Euro	633	Total Bilateral N$2,602m
	RMB	1,970	
Other Listed Bonds	Eurobond	13,491	
	JSE-Listed Bond	2,042	
Total Debt		135,695	

Source: Bank of Namibia

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The next category is multilateral debt. This is debt owed to multilateral financial institutions such as the African Development Bank (AfDB), the World Bank or the IMF. These debts will have been taken on for specific purposes on the basis of mutual agreements between the Government and the International Financial Institution in question. These debts are denominated in the international currencies these institutions lend in which so far in Namibia's case has included Euros, US dollars, UK pounds, South African Rand, Swiss Francs, Kuwaiti Dinars, IMF Special Drawing Rights (a unique form of international foreign currency), and Japanese Yen. The currency will depend on the lending institution and will carry an exchange rate risk for Namibia (except for Rand debt). Namibia is able to borrow from the AfDB in Rand. The total amount of outstanding multilateral debt at the end of September was N$16.0 billion.

In contrast to multilateral debt, bilateral debt is debt owed by Namibia to individual countries such as Germany or China rather than to multilateral institutions, and is generally for particular projects or programmes that have been agreed between Namibia and the partner country. Bilateral debt is generally owed in the currency of the lending country. Namibia owes almost N$2 billion to China in Chinese Renminbi (or Yuan). The total amount of outstanding bilateral debt at the end of September was N$2.6 billion.

Table 3: Chinese Bilateral Loans to Namibia 2000-2020

Project	Year	Lender	Allocation (US$)
Other CN Gov: 10 loans of US$61 million			
Unallocated	2001	CIDCA	2
Unallocated	2003	CIDCA	4
Unallocated	2004	CIDCA	5
Small industrial/farming projects	2005	CIDCA	6
Unknown	2006	CIDCA	3
Green Scheme and Aquaculture	2007	CIDCA	4
Rietfontein National Youth Training Centre phase 1	2007	CIDCA	15
Eiseb Block Small Scale Agriculture Development	2008	CIDCA	5
Okahandja Defence Academy Project	2009	CIDCA	9
Gobabis and Grootfontein 400 houses	2018	CIDCA	8
Policy Banks: 7 loans worth US$216 million			
Northern Tannery and Leather Project	2000	CHEXIM	1
17 Diesel Locomotives and 200 Train Cargos	2005	CHEXIM	31
Custom Scanning Machines	2007	CHEXIM	44
E-government Software	2008	CHEXIM	4
Rietfontein National Youth Training Centre	2009	CHEXIM	18
DR3602 Omafo-Outapi Road Upgrade	2012	CHEXIM	85
MR67 Omakange-Ruacana Road	2012	CHEXIM	33
Contractors: 1 loan worth US$223 million			
Purchase of 10% Stake in Husab Uranium Mine	2012	CHEXIM	223

Source: https://www.bu.edu/gdp/chinese-loans-to-africa-database/

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Not much public information is available on bilateral loans from China but the Chinese Loans to Africa Database at Boston University's Global Policy Development Centre lists the loans above (a total of 18 loans between 2000 and 2020 worth US$500 million), many of which have already been paid off. The database does not track disbursement or repayment.

Finally, come Namibian bonds which are listed internationally and which are repaid in other currencies to make them attractive to foreign investors. Like T-Bills and Bonds, these bonds are used to finance general operations rather than specific projects or programmes. At the end of September this included the bonds listed on the JSE. NAM01 was first listed in 2012, NAM02 in 2015 and NAM03 and NAM04 in 2016. NAM02 (a five-year bond) was redeemed on 29 June 2020. NAM01 (a ten-year bond) was redeemed on 19 November 2022 (after the end of September 2022 used above) so two bonds remain. After the US$500 million Eurobond1 issued in 2011 was redeemed in November 2021 (after the end of September 2022 used above), there is a single outstanding US$750 million Eurobond2 issued in 2015 which matures in 2025. For both these bonds government maintains two sinking funds to ensure successful redemption. In its latest Fiscal Strategy document, the Ministry of Finance states the following:

"During 2022/23 two Government bonds, namely, the GI22 and NAM01 with outstanding amount of N$2.0 billion and N$1.5 billion will mature on 15 October 2022, and 19 November 2022, respectively. Over the years since 2005, the Government introduced a sinking fund approach to accumulate savings to ensure successful redemption for upcoming bond maturities. These deposit accounts are held at Bank of Namibia and comprises of two sub-accounts, namely the USD and ZAR sinking funds. After the successful redemption of the U$500 million Eurobond in November 2021, the USD balances account was depleted. However, the ZAR sinking balances stood at N$1.8 billion, sufficient to redeem the Nam01 as it falls due in November 2022. Subject to market demand, the Government plans to rollover the GI22 at maturity. Nevertheless, government will also explore potential issuance on the Johannesburg Stock Exchange (JSE) during the year, subject to market appetite."

Fitch reports the following:

"Repayment of a US$500 million Eurobond in 2021 has fully depleted the Government's US dollar sinking fund and the rand sinking fund balance has fallen below ZAR1 billion after the redemption of rand bonds (totalling ZAR 1.6 billion) in 2022. The Government will continue to make quarterly transfers to replenish the rand fund and expects to resume transfers to the US dollar sinking fund in FY23/24."

Chart 2 below presents the same information as in Table 2 but in the form of a pie chart. It can be seen that T-Bills and Bonds make up three-quarters of all debt while multilateral and bilateral debt make up almost 12% and 2% respectively. The outstanding Eurobond makes up 10% and the JSE-listed bond 2%.

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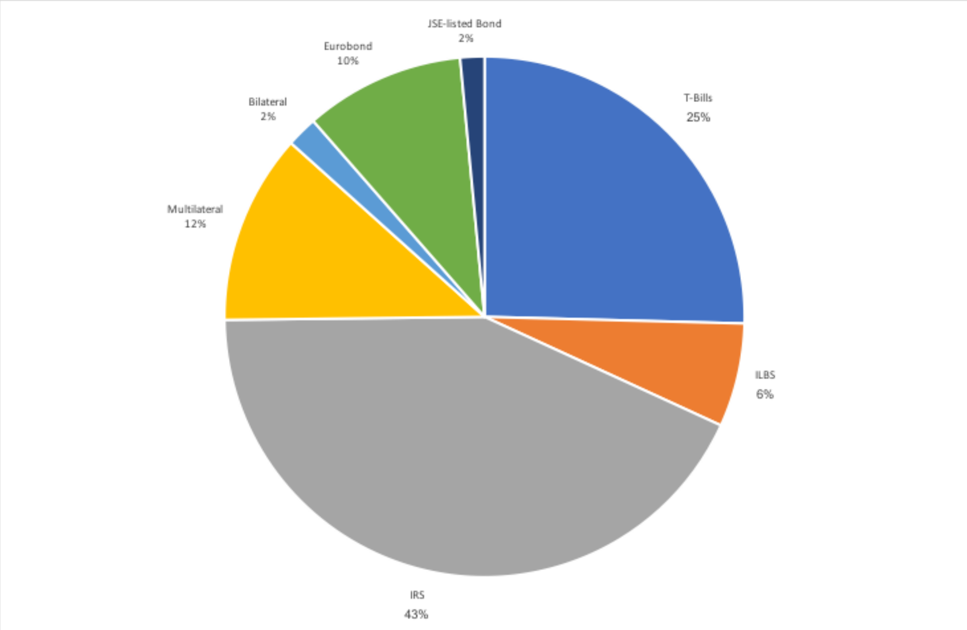
Chart 2: Breakdown of Public Debt (at End of September 2022)



Source: Bank of Namibia

Loan Guarantees

In addition to taking out loans itself, Government also provides guarantees for loans taken out by public organisations, primarily State-Owned Enterprises or Public Enterprises. These guarantees are required as security by lenders. Aggregate details of these guarantees are included in the Bank of Namibia Quarterly Bulletins. In total domestic and foreign loan guarantees total N$2.0 billion and N$8.1 billion respectively which amounts to 1.0% and 4.1% of GDP well below Government's own target of 10% for all loan guarantees. Foreign loan guarantees account for 80% of all loan guarantees. These numbers differ somewhat from those included in the main budget in February 2022 where total guarantees were expected to total N$12.1 billion or 6.1% of GDP.

Table 4: Domestic and Foreign Loan Guarantees

Sector	Value of Guarantee (N$m)	Proportion (%)
Domestic Guarantees		
Mining and Quarrying	0.0	0.0%
Tourism	94.3	4.7%
Agriculture	789.9	39.0%
Finance	272.6	13.5%
Transport	130.3	6.4%
Communication	0.0	0.0%

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Fisheries	64.9	3.2%
Education	0.0	0.0%
Energy	671.0	33.2%
Total Domestic Guarantees	2,023.0	100.0%
Foreign Guarantees		
Energy	0.0	0.0%
Agriculture	0.0	0.0%
Transport	ZAR2,482.2	30.7%
Communication	ZAR325.0 EUR53.4	4.7%
Finance	ZAR5,218.3	64.6%
Total Foreign Loan Guarantees	8,078.9	100.0%

Source: Bank of Namibia

More Debt Madam?

Namibians have been used to hearing from their Ministers of Finance about the need for fiscal belt-tightening and the importance of reducing the ratio of debt-to-GDP. Paradoxically this goes hand in hand with Government continuing to sign ever bigger agreements for more debt. Examples of this go back to the period immediately after policymakers became aware that debt was in danger of spiralling out of control around FY15/16. Examples include the following:

An AfDB project financing loan, amounting to N$4 billion over two years announced in the FY18/19 Budget Statement to fund agricultural mechanisation, road and rail infrastructure and schools renovation programme under the Economic Governance and Competitiveness Support Programme.

A loan from KfW amounting to some N$590 million (EUR40 million) for water infrastructure development announced in the FY18/19 Budget Statement.

On 31 March 2021 the International Monetary Fund (IMF) approved a loan of US$270.83 million to Namibia under the Rapid Financing Instrument (RFI) to address urgent balance of payment and fiscal financing needs stemming from the Covid pandemic.

On 29 September 2022 the AfDB formally approved a loan to Namibia amounting to ZAR2.3 billion (US$134.9 million) in co-financing for the second phase of Namibia’s Governance and Economic Recovery Support Program (GERSP II).

On 16 November 2022 Namibia signed a Joint Declaration for a potential loan of up to EUR500 million for renewable hydrogen and renewable energy investments from the European Investment Bank (EIB) at the margins of the COP27 meeting in Egypt.

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On 15 December 2022 Namibia formally agreed a loan from the German Government via KfW for N$2.051 billion consisting of N$746 million for a second Direct Potable Water Reclamation Plant (DPR2), N$932 million to support the Namibian Water Sector Support Program (WSSP), and N$373 million for the rehabilitation and upgrading of the B2 section between Karibib and Usakos.

This is not a comprehensive list but supports the view that the Namibian Government is set to borrow considerable sums of money in the coming years; this does not include loans for climate change adaptation which may be in the pipeline. These loans are mostly concessional (they have been granted on terms that are more favourable than fully commercial loans). They will not necessarily be channelled through the State Revenue Fund but they will add to Namibia's stock of public debt.

In addition to these loans, Government has expressed a desire to take stakes in the oil and gas industry (where Namcor has a 10% stake in the two successful wells drilled so far) and in the nascent green hydrogen and ammonia industry. The SWAPO Seventh Congress even passed a resolution calling for the revival of Air Namibia requesting:

"That the SWAPO Party directs government to revive Air Namibia to provide regional connectivity to destinations such as Johannesburg, Cape Town, Lusaka, Harare, Gaborone, Luanda, Maputo, Addis Ababa, Nairobi and similar."

Finally, there is some thinking that Namibia might negotiate "debt for nature" swaps, exchanging commitments to repay debt with commitments to the environment. However, very little of Namibia's debt would be suitable for such arrangements.

How Does Namibia Compare Internationally?

It is worth putting Namibia into international context as far as debt levels are concerned but care needs to be taken since even seemingly similar countries can differ greatly in terms of ability to take on and repay debt. The table below shows how Namibia compares to other countries in SACU and SADC based on data from the IMF country database. It can be seen that Namibia has the highest level of debt within SACU (similar to South Africa) but that within SADC, Angola, Mauritius, Mozambique and Zambia have higher levels of debt. Angola, DRC, Madagascar, Mozambique, Tanzania, and Zambia are currently subject to IMF support programmes as is Seychelles.

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Table 5: Debt Levels in SACU and SADC Compared (2021)

Country	Population (m)	GDP (US$bn)	Debt as % of GDP	Category
SACU				
Botswana	2.2	15.81	19.5%	Upper middle
Lesotho	2.1	2.18	53.5%	Lower middle
Namibia	2.4	13.00	71.9%	Upper middle
South Africa	54.0	350.10	69.0%	Upper middle
Swaziland	1.3	4.41	45.0%	Lower middle
Total SACU	**62.0**	**385.5**		
SADC				
Angola	24.2	138.4	86.4%	Lower middle
DRC	74.8	33.10	16.1%	Low
Madagascar	23.6	10.59	53.1%	Low
Malawi	16.7	4.26	63.9%	Low
Mauritius	1.3	12.63	93.6%	Upper middle
Mozambique	27.2	15.94	106.4%	Low
Seychelles	0.1	1.42	72.9%	High
Tanzania	51.8	48.06	40.7%	Lower middle
Zambia	15.7	27.07	119.1%	Low
Zimbabwe	15.2	14.20	66.9%	Lower middle
Total	**250.6**	**305.7**		
Total SADC	**312.6**	**691.2**		

Source: World Bank and IMF

The average level of debt across all countries from all income categories in the IMF database is 65.8%, while the average for the 50 upper middle-income countries for which data is available is 58.9%. Fitch reports that Namibia's level of debt is significantly higher than the 55% median for other countries with a BB rating. Namibia's debt-to-GDP level looks high regionally and internationally and countries with higher levels of debt tend to be either high income countries or countries which have gone to the IMF for support.

Conclusions

Namibia finds itself in a situation where public debt has reached levels Government never foresaw. Government has spectacularly failed to adhere to its own public debt target of 35% of GDP set in 2012/13, primarily because it has always been easier to borrow more than make painful decisions on cutting spending. As a result, public debt is now at a level where alarm bells have started to sound. But what does Namibia have to show for all this borrowing? The trouble is when a country gets into that situation the options open to it are limited. Presumably, Namibia wants to avoid any sort of debt restructuring or seeking the assistance of the IMF. At the same time, if oil and gas reserves are firmed up and prove

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commercially viable, it will have a valuable future revenue stream to use as collateral for further borrowing although this is probably some way off. Simultaneously, Namibia is seeking to position itself as an important strategic player in the regional and global energy market which gives it a certain amount of leverage as customers have a stake in Namibia's economic stability.

The upshot of all this is that, for the time being at least, Namibia is obliged to follow the path laid out by the current Minister of Finance: keep a tight rein on spending and slowly try and pay off and pay down debt. Fundamental reform of the public sector would be the economically most sensible path to pursue from a long-term perspective but that is clearly not being contemplated. But there are three other key steps that should be taken.

First the Ministry of Finance (with the Bank of Namibia and the National Planning Commission) should ensure it has an accurate and comprehensive picture of all public debt and approval for any loan must be centralised. This may already be the case but as an outsider it is hard to assess fully as there is no publicly available database on public loans or loan guarantees. A comprehensive and detailed account of Namibia's public debt should be published as part of the national budget which would be a more detailed version of former Minister Schlettwein's media release of 2019. This will serve to reassure both the general public and the local and international investor community. The Ministry of Finance must also develop the capacity to carry out debt sustainability analyses on a regular basis, preferably before agreements on any new loans are entered into.

Second, Parliament should be given the authority to approve all foreign loans to the public sector as is the case in neighbouring Botswana for example. This will oblige the Minister to explain to Parliament why a loan is being taken, what its impact will be and explain how it will be repaid. As things stand loans seem to be taken out willy-nilly based on private negotiations between government officials, donors and investors.

Third, all loans should be subject to greater economic scrutiny. Some loans, possibly in energy or oil and gas, may give rise to clear revenue streams which can be used to repay the loan. Most, however, especially in sectors like water and roads, do not. Although politicians like to argue that new infrastructure automatically gives rise to economic growth and more revenue to Government, there is little evidence to support this, especially if infrastructure projects have not been properly assessed beforehand.

The answer to the question: "what is a sustainable level of public debt for Namibia" is not straightforward since it depends on the ability to repay which in turn depends on the conditions of each loan, what loans are used for, whether they result in improved economic performance and whether that gives rise to additional revenues that can repay them. Whatever the case, Namibian debt is approaching levels that in other countries have led to debt distress. It should in future be much more cautious about taking on new debt. Just because someone offers you a loan does not mean you should take it.

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News Highlights

Date	Highlight	Commentary
29 December	Russian uranium miners halted (VoA)	The Ministry of Agriculture, Water and Land Reform has refused to grant a water extraction permit to One Uranium, a subsidiary of Russia's state-owned Rosatom, over concerns of underground water pollution.
19 December	Trevali sells stake in Rosh Pinah to Appian (Mining.com)	Troubled Canadian miner Trevali, which earlier in the year filed for creditor protection, has announced it will sell its 90% stake in Rosh Pinah to Appian Natural Resources Fund III and said it expected to close the sale in Q1 2023.
16 December	Recon Africa fights for credibility (News24)	Canadian junior oil company Reconnaissance Africa is fighting for credibility after disgruntled investors launched a class action lawsuit in New York and the drilling of three test wells in environmentally sensitive East Kavango have failed to prove commercial reserves of oil. The company share price has slumped since peaking in mid-2021.
15 December	Occupancy expected to reach 70% of pre-pandemic levels in 2022 (HAN)	The Hospitality Association of Namibia (HAN) stated it expected occupancy rates in Namibia to reach over 70% of pre-pandemic levels in 2022.
14 December	Namcor opens fourteenth service station (New Era)	The National Petroleum Corporation of Namibia (Namcor) opened a service station in Opuwo, its thirteenth of a planned 33 by 2024.
14 December	SWAPO wants to bring back Air Namibia (The Namibian)	Among the resolutions at the SWAPO Party Congress is one that calls for the reestablishment of Air Namibia and its flights to other African capitals.
12 December	Shell spuds new well (Upstream)	Shell has spudded a highly anticipated new well Jonker-1 following on from the success of the Graff discovery earlier in the year. Jonker-1 is the first of at least three probes Shell plans to drill.
10 December	Fitch Ratings confirms sovereign credit rating (Fitch Ratings)	Fitch Ratings maintained Namibia's sovereign credit rating at BB- with the outlook stable. Fitch forecasts Namibia's budget deficit at 7.1% of GDP in FY22/23, higher than the Government's estimate which Fitch puts at 5.9%.
9 December	South African Airways returns to Hosea Kutako (Xinhua)	The Namibia Airports Company (NAC) welcomed back South African Airways which will be laying on two flights a week between Johannesburg and Windhoek. The last time SAA flew into HKIA was in March 2019.
7 December	Bank of Namibia expects growth of 3.9% in 2022 (Namibia Economist)	In its latest Economic Outlook for 2022, the Bank of Namibia raised its growth forecast for the year to 3.9% in 2022 and 2.7% in 2023 and 2.4% in 2024.
5 December	Germany mulling €10 billion for Namibian hydrogen plant (Bloomberg)	Germany's KfW is considering providing aid up to €10 billion to Hyphen Hydrogen green hydrogen plant.

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3 December	Habeck on 5-day visit to Namibia (Bloomberg)	Germany's Energy Minister and Vice Chancellor Robert Habeck conducted a 5-day visit to Namibia in an attempt to secure new energy supplies for Germany.
2 December	Hyphen signs MoU with Germany's RWE (Bloomberg)	Namibia's Hyphen Hydrogen Energy signed an MoU with German power provider RWE that could see Hyphen export 300,000 tonnes of green ammonia a year. This would be transported as ammonia to a specially built terminal at Brunsbüttel due for completion in 2026 then cracked and used as hydrogen in Germany.
2 December	Petrol price to remain unchanged but diesel price to fall (Namcor)	The Ministry of Mines and Energy announced that petrol prices would remain unchanged but diesel prices would fall by N$1.25 per litre from 7 December.
30 November	The Bank of Namibia raises repo rate by 50bp (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee raised the repo rate by 50 basis points to 6.75% in response to rising inflation.
28 November	Nandi-Ndaitwah elected as SWAPO Vice President (The Namibian)	International Cooperation Minister Netumbo Nandi-Ndaitwah beat Prime Minister Saara Kuugongelwa-Amadhila and Environment Minister Pohamba Shifeta to be elected Vice President of SWAPO Party at the Seventh Party Congress making her the frontrunner to lead the party into the November 2024 national elections.
24 November	South African Reserve Bank raises repo rate (SARB)	The South African Reserve Bank (SARB) raised its repo rate by 75 basis points from 6.25% to 7.0% and the prime lending rate to 10.5% at its Monetary Policy Committee meeting taking interest rates above pre-pandemic levels.
23 November	Mining exploration licence loopholes plugged (The Namibian)	Mines Minister Tom Alweendo announced that the application procedure for mining exploration licences would require a detailed exploration programme and budget to avoid corruption and granting licences to applicants who had no serious intention to undertake exploration but simply sell on the licence to others.
18 November	TotalEnergies to drill further in Q1 2023 (Upstream Online)	TotalEnergies highly anticipated appraisal campaign on its huge Venus oil and gas discovery is expected to take place early in 2023 and to make up for lost time the company is exploring the idea of bringing in two rigs.
14 November	Namibia's charcoal industry threatened by shipping ban (The Namibian)	Namibia's 200,000 tonne a year charcoal export industry is being threatened by a ban on shipping charcoal in shipping containers due to fire risk through spontaneous combustion.
11 November	US$20 million raised for offshore salmon farm (Undercurrent News)	Namibian company Benguela Blue Aqua Farming has raised US$20 million in the first round of funding to establish an offshore salmon farm aiming using offshore fish pens from US company Innovasea to produce 25,000 tonnes of Atlantic salmon within ten years.
10 November	Development Bank of Namibia launches business rescue programme (Namibia Economist)	The Development Bank of Namibia launched a Business Rescue Programme to help qualifying businesses hit by the extreme business conditions of the past few years avoid liquidation primarily by converting debt into preference shares to be held by the DBN.

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8 November	Namibia signs strategic partnership with EU (EU)	President Geingob and EU President Ursula von der Leyen signed a MoU establishing a strategic partnership on sustainable raw materials and renewable hydrogen at the COP27 meeting in Egypt. At the same time the European Investment Bank (EIB) and Namibia will work towards a loan to the Government of Namibia of up to 500 million.
7 November	Synthetic Fuels Strategy launched (Namibia Economist)	Energy Minister Tom Alweendo launched Namibia's Synthetic Fuels Strategy stating that Namibia is looking to produce more than just green hydrogen but also green ammonia, e-methanol, synthetic kerosene, and hot-briquetted iron.
3 November	Russia offers diesel to Namibia (The Namibian)	Speaking at a meeting in State House with President Geingob, Russian charge d'affaires in Namibia Mikhail Nikitin said Russia had offered Namibia access to Russian diesel from companies such as Rosneft and Lukoil. Namibia abstained on several UN votes on Ukraine in 2022.
3 November	Diesel stocks running low (The Namibian)	Namcor acting executive for supply and logistics Cedric Willemse confirmed there is a shortage of diesel and that Namcor was rationing supply but insisted there was no need to panic and that a resupply vessel was due to arrive on 12 November.
31 October	Diesel prices to rise (Namibia Economist)	The Ministry of Mines and Energy announced that from 2 November the price of diesel would rise by N$1.98 from N$22.12 to N$24.10 per litre while the price of petrol will remain unchanged.
28 October	One stop shop for investors launched (Namibia Economist)	Industrialisation Minister Lucia Iipumbu launched a one stop shop for investors which will be a single access point for information and services.
27 October	Namdeb produces 531,000 carats in Q3 2022 (AA)	Anglo American reported that Namdeb Holdings produced 531,000 carats in Q3 2022 compared to 565,000 carats in Q2 2022 and 399,000 carats in the same quarter of 2021. Out of the latest quarterly total 108,000 carats came from land-based operations.
26 October	The Bank of Namibia raises repo rate by 75bp (Bank of Namibia)	The Bank of Namibia's Monetary Policy Committee raised the repo rate by a further 75 basis points to 6.25% in response to rising inflation. The next MPC meeting is on 7 December 2022.
25 October	Mid-Term Review tabled in Parliament	Finance Minister Iipumbu Shiimi tabled the Mid-Term Review for FY22/23. He envisaged growth of 2.8% for 2022 and a budget deficit of 5.3%. The Minister held out the prospect that Namibia's corporate tax could be cut to 30% over the coming years. More details can be found here.
20 October	Namibia reaches deal on rare earths with EU (Reuters)	Namibia has provisionally agreed to sell rare earth minerals to the EU under an agreement which will see the minerals processed in Namibia prior to export.
19 October	FlyNamibia adds Erongo route (The Namibian)	Local airline FlyNamibia will add a route from Windhoek to Walvis Bay on Mondays, Wednesdays and Fridays from 28 October using a 14-seater Beechcraft 1900.

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17 October	Otjikoto mine produces 35,068 ounces of gold in Q3 2022 (B2Gold)	B2Gold reported that its Otjikoto mine produced 35,068 ounces of gold in Q3 2022, "lower than planned mainly due to delays in bringing the Wolfshag Underground mine into production."
17 October	Minister denies bribery claims (The Namibian)	Mines and Energy Minister Tom Alweendo took to social media to deny claims of bribery and corruption This came after a social media post in which it was claimed that a Chinese company, Xinfeng Investment, which mines lithium near Uis had bribed ministry officials. Alweendo said the claims were being investigated.
17 October	Swiss firm chosen to run container terminal (The Namibian)	Namport chose Swiss-based Terminal Investment Limited as its preferred bidder to operate its new N$4 billion container terminal at Walvis Bay after two bids were received from five candidate companies. TIL's majority shareholder is Mediterranean Shipping Company (MSC), the largest shipping line by container capacity. A concession agreement could be signed by the end of Q1 2023.
12 October	NPIDB launches Digital Nomad Visa (The Namibian)	The Namibian Investment Promotion and Development Board (NIPDB) launched Namibia's own Digital Nomad visa in a bid to attract professionals who can work remotely from anywhere. The visa will cost US$62 on arrival provided they can demonstrate proof of income and be valid for up to six months.
10 October	NWR slashes prices at resorts (The Namibian)	Namibia Wildlife Resorts (NWR) announced it was slashing prices for Namibians and SADC citizens at its resorts using a NamLeisure card from 1 November.
10 October	QatarEnergy wants to accelerate development of its two wells in Namibia (Reuters)	During a visit to Windhoek, the head of QatarEnergy and Qatari Energy Minister Saad al-Kaabi said he wanted to speed up the development of the two wells they held with joint venture partners in Namibia.
10 October	RioZim buys Sperrgebiet Diamond Mine (Bloomberg)	Zimbabwe's Rio Zim purchased Sperrgebiet Diamond Mine (SDM) for US$58 million as part of its strategy to diversity assets and geographies. SDM had bought Elizabeth Bay mine from Namdeb in October 2020 and holds two onshore and two offshore licences.
7 October	Debmarine Namibia appoints new CEO (Namibia Economist)	Debmarine Namibia appointed CA Willy Mertens as its new CEO from 1 November taking over from Otto Shikongo who had been CEO since 1 January 2004.
5 October	IMF completes 2022 Article IV mission to Namibia (IMF)	The International Monetary Fund issued a press release at after completing its 2022 Article IV mission to Namibia forecasting the economy would grow by 3.0% in 2022 and 3.2% in 2023.
4 October	Namdia appoints new CEO (Informante)	Namib Desert Diamonds (Namdia) appointed Alisa Amupolo as its new CEO for five years from 1 October 2022 taking over from Kennedy Hamutenya who is challenging the decision not to renew his contract in court.

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4 October	Chevron completes deal (Upstream Online)	US oil major Chevron completed a US$100 million deal to take control of licence block 2813B immediately north of TotalEnergies' Venus oil and gas discovery.
3 October	Petrol prices to go down (Xinhua)	The Ministry of Mines and Energy announced that from 5 October petrol prices would be reduced from N$21.08 to N$20.08 per litre while diesel prices would remain at N$22.12 per litre.

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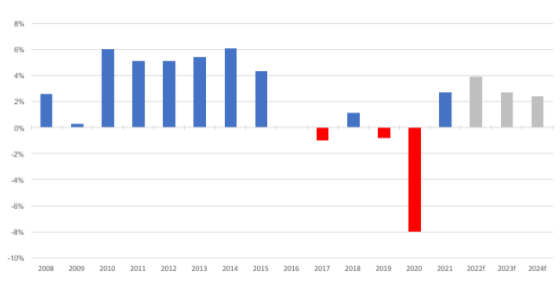
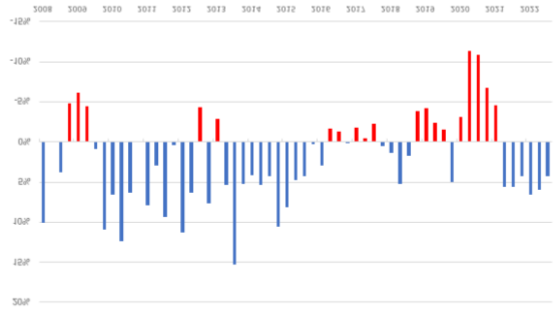
Key Economic Variables

GDP Growth (%)



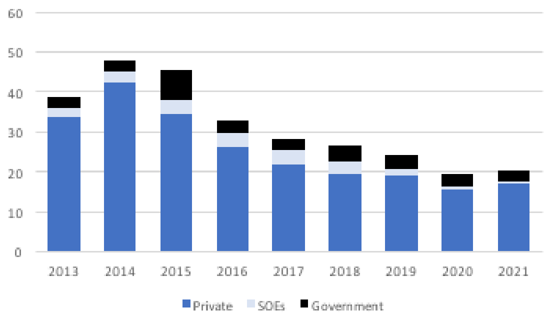
GDP grew by 2.7% in 2021 after shrinking by 8.0% in 2020. In its latest December 2022 forecast, the Bank of Namibia expects GDP to grow by 3.9% in 2022, 2.7% in 2023 and 2.4% in 2024.

GDP Quarterly Growth (%)



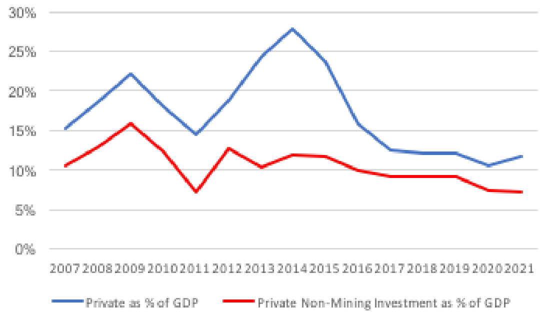
In Q3 2022 GDP grew by 4.3% compared to Q3 2021, the sixth successive increase in economic activity after the last quarterly contraction experienced in Q1 2021.

Fixed Investment (N$bn in 2015 prices)



Investment by the private sector, SOEs, and government measured in 2015 prices stabilised at a low level in 2021 after a steady trend downwards seen since 2014.

Private Fixed Investment (% of GDP)



Total private fixed investment improved marginally thanks to higher mining investment whilst non-mining private fixed investment has reached its lowest level since 2007.

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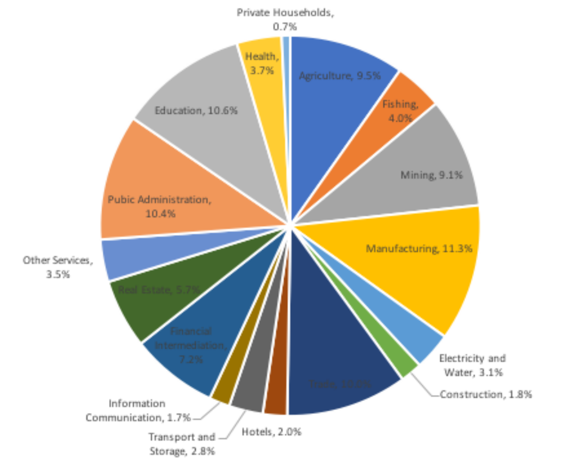
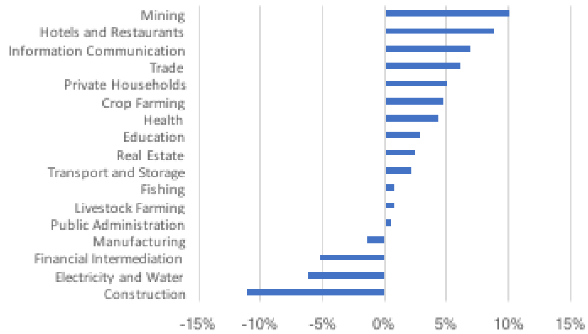
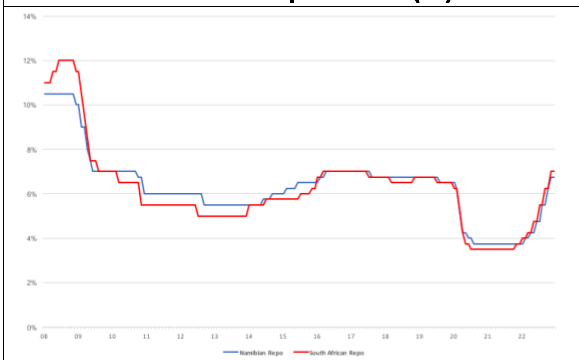
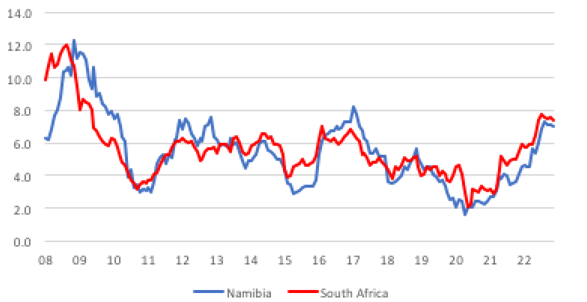
Sectoral Breakdown of GDP in 2021 (%)	Sectoral Growth in 2021 (%)
	
The chart shows the contributions made to overall economic activity in 2021 by the different sectors of the economy according to the final national accounts. Service sectors contributed 58.3% while primary and secondary sectors contributed 22.6% and 16.2% respectively.	After a hugely challenging 2020, most sectors of the economy experienced some degree of positive growth lead by the mining, tourism and IT sectors. However, the hard-hit construction sector continued to suffer a contraction.
Namibian and SA Repo Rates (%)	**Namibian and SA Inflation (% y-o-y)**
	
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 and the Namibian repo ended the year at the pre-pandemic level of 6.75%, 25bp lower than the South African repo.	Namibian consumer inflation has steadily climbed since the lows experienced during 2020 to reach 7.0% in November 2022 compared to 7.4% in South Africa. The Bank of Namibia's November MPC statement forecasts inflation to average 6.1% in 2022 and decline to 4.9% in 2023.

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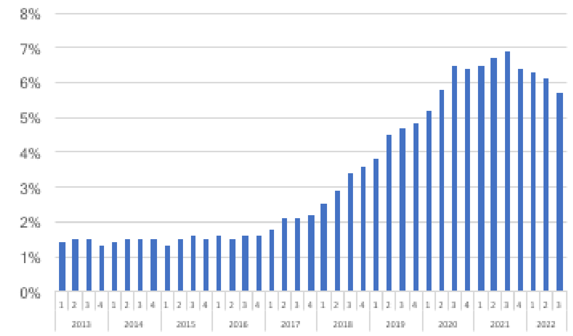
Private Sector Credit Extension (% y-o-y)

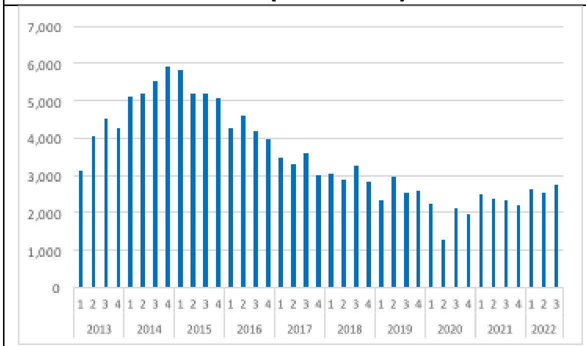
Credit growth to business has risen since the lows of 2021 whilst credit to households has remained subdued as is residential mortgage lending.

Non-Performing Loans (% of Total Loans)



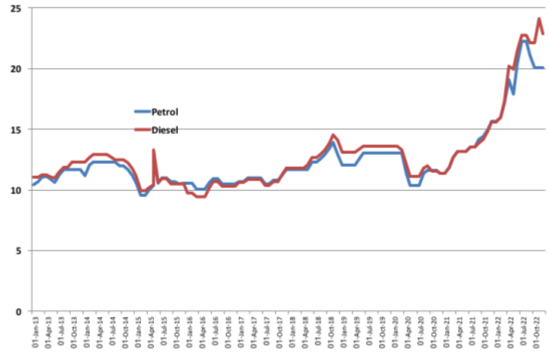
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia continued to fall from a peak of 6.9% at the end of Q3 2021 to reach 5.7% at the end of Q3 2022.

New Vehicle Sales (Unit Sold)



The combined sales of new commercial and private vehicles rose from 2,538 in Q2 2022 to 2,746 in Q3 2022 but it is yet to be seen if this represents a longer-term trend.

Price of Petrol and Diesel (N$/l)



Controlled petrol and diesel prices started Q4 2022 at N$20.08 and N$22.12 per litre respectively and ended the quarter at N$20.08 and N$22.85 per litre.

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Data Trends

	Unit	2016	2017	2018	2019	2020	2021
Annual Economic Growth							
GDP	%	0.0%	-1.0%	1.1%	-0.8%	-8.0%	2.7%
GDP current prices	N$m	157,708	171,570	181,067	181,211	174,208	181,935
Change in Mining Value Added	%	-10.7%	14.2%	16.1%	-8.7%	-15.0%	10.1%
Change in Manufacturing Value Added	%	10.0%	-1.6%	-0.4%	4.7%	-17.1%	-1.4%
Fixed Investment							
Fixed Investment	% of GDP	21.8%	17.9%	16.9%	15.8%	13.4%	14.3%
Change in Fixed Investment	%	-27.7%	-13.7%	-6.0%	-9.5%	-19.2%	4.0%
Fixed Investment - Government	'000 N$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
Prices and Interest Rates							
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%
Trade and Balance of Payments							
Exports - total goods	N$bn	48.0	49.8	56.6	57.5	53.7	53.1
Exports - total services	N$bn	7.2	7.9	8.4	8.4	4.6	4.6
Imports - total goods	N$bn	82.9	73.8	75.2	77.0	66.5	80.5
Imports - total services	N$bn	10.1	7.9	7.8	7.3	6.1	6.8
Trade Balance	N$bn	-37.8	-24.0	-18.0	-18.3	-14.5	-29.6
Balance of Payments	N$bn	-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%
Foreign Exchange							
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$bn	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)
Financial Sector							
Private Sector Credit Extension Growth	%	8.9%	5.1%	6.6%	6.8%	2.0%	1.2%
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
Business Indicators							
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	233
- From Africa	'000	1,094	1,091	1,164	1,252	112	163
- From Europe	'000	295	312	306	256	45	59
- From RoW	'000	81	97	87	89	12	11
International Arrivals at HKIA	'000	143	213	247	215	46	63
Regional Arrivals at HKIA	'000	248	242	239	223	45	64

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		2016	2017	2018	2019	2020	2021	2022
Employment								
Government		88,421	n/a	86,587	n/a	n/a	n/a	n/a
Parastatals		25,558	n/a	30,654	n/a	n/a	n/a	n/a
Private Companies		235,877	n/a	214,693	n/a	n/a	n/a	n/a
Private Households		136,417	n/a	70,036	n/a	n/a	n/a	n/a
Total		486,273	n/a	401,970	n/a	n/a	n/a	n/a
Government Finances		**FY 16/17**	**FY 17/18**	**FY 18/19**	**FY 19/20**	**FY 20/21**	**FY 21/22**	**FY 22/23**
Revenue	N$bn	50.9	58.7	55.9	58.4	57.8	55.4	64.1
Expenditure	N$bn	62.2	67.5	65.1	66.6	71.5	69.3	74.7
Balance	N$bn	-11.4	-8.9	-9.2	-8.2	-13.7	-13.9	-10.6
Public Debt	N$bn	69.9	74.5	87.5	100.4	110.6	126.0	138.4
Interest Payments	N$bn	4.3	5.4	6.3	7.0	7.4	7.7	9.1
Public Guarantees	N$bn	6.4	11.0	10.9	11.1	10.1	10.3	10.2
Revenue	% of GDP	30.2%	34.2%	30.9%	29.7%	32.5%	29.4%	32.2%
Expenditure	% of GDP	36.9%	39.3%	36.0%	37.2%	40.2%	36.8%	37.5%
Balance	% of GDP	-6.7%	-5.2%	-5.1%	-4.1%	-7.7%	-7.4%	-5.3%
Public Debt	% of GDP	41.5%	43.4%	48.4%	56.1%	62.1%	66.9%	69.6%
Interest Payments	% of revenue	8.5%	9.3%	11.3%	11.0%	12.8%	13.9%	14.3%
Public Guarantees	% of GDP	3.8%	6.4%	6.0%	5.6%	5.7%	5.5%	5.1%
		2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
International Rankings								
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.

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