Namibia QER Q4 2023

Namibia Quarterly Economic Review October-December 2023

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Quarter Summary

Macroeconomic Situation

The economic recovery which has been taking place since 2021 continued to gather pace. GDP growth for 2022 has been revised up from the 4.6% presented in the Bank of Namibia's Economic Outlook in August 2023 to 6.4% in the latest quarterly GDP estimates (but 7.6% in the Bank's Economic Outlook in December 2023). The Bank of Namibia now expects GDP to grow by 3.9% in 2023, 3.4% in 2024 and 3.1% in 2025.

The Bank of Namibia held its key repo rate constant at 7.75% over the last quarter, which included two Monetary Policy Committee meetings, whilst the South African repo stayed at 8.25% throughout the same period. The Bank of Namibia's last MPC statement strongly suggested inflation and therefore interest rates have peaked as "average inflation is expected to steadily decline to 5.9% in 2023 and 4.8% in 2024 from 6.1% recorded in 2022". The Bank of Namibia's Monetary Policy Announcement Dates for 2024 are as follows:

14 February 2024
17 April 2024
19 June 2024
14 August 2024
23 October 2024
4 December 2024

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Finance Minister Iipumbu Shiimi tabled the Mid-Year Budget Review in Parliament on 31 October. Revenues were revised up by N$3.8 billion, operational expenditure rose by N$2.5 billion and development expenditure remained constant at N$6.5 billion although N$167.3 million was reallocated. Interest payments revised up by N$1.7 billion reflecting higher borrowing costs. The increased revenue allowed increased spending while keeping the size of the budget deficit in relation to the economy at a constant 4.2% of projected GDP and leaving the ratio of public debt at 66% of projected GDP.

Special Feature: Public Enterprise Reform – the Art of Looking Busy

Introduction

The issue of the fiscal burden placed on the nation's public finances by underperforming public enterprises (or State-Owned Enterprises) has been a perennial concern since the 1990s when so many new state-owned companies were created. And like so many other fiscal issues (the size of the public sector wage bill, the competitiveness of the country's tax system, the sustainability of public debt, the cost of PSEMAS and others) this is an issue that decade after decade never seems to get resolved. Yet back in the late 1990s it did look as if Government was preparing to take a more radical approach to SOE reform as the following quote from then Finance Minister Nangolo Mbumba's budget statement made clear:

Having established the supervisory framework, Government is committed to initiate a fully-fledged parastatal reform in Namibia. This reform will also deal with the long-overdue subject of different forms of privatisation, or joint-ventures between private and public operators. Mr Speaker, it is important for Government to consider the circumstances under which privatisation can take place. We would not like to see a situation where we are forced to privatise certain public entities because of financial or technical distress, rather we should prepare ourselves to meet the challenge out of a position of strength and with enough time by laying down the conditions under which privatisation in Namibia could be regarded as a feasible and agreeable option. In fact, some powerful and financially sound parastatals such as NamPower and Telecom, have indicated their readiness to be listed on the Namibian Stock Exchange. If such listing proves to be successful, this may be a good indication that these parastatals can attract shareholder interest and thus diminish their dependency on public funds.

Nangolo Mbumba, Minister of Finance, Budget Statement for 1999/00, 7 April 1999

For reasons that were never made clear, Government decided not to go ahead with a more radical restructuring of the SOE sector and instead pursued a more incremental, bureaucratic and political approach to reform the major steps of which are highlighted in the list below:

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- 1990s creation of many new SOEs
- 2001 Deloitte report on Governance Policy Framework for SOEs
- 2003 Central Governance Agency
- 2006 SOE Governance Act and SOE Governance Council
- 2010 Cabinet approves new guidelines on SOE remuneration
- 2015 Ministry of Public Enterprises created
- 2017 Public Private Partnership Act
- 2019 Public Enterprises Governance Act and hybrid governance model
- 2020 High Level Panel on the Namibian Economy and Holding Company
- 2020 Liquidation of Air Namibia
- 2022 Creation of Ministry of Finance and Public Enterprises

More detail of each of these steps can be found in the fifth edition of the IPPR's "Guide to the Namibian Economy" published in September 2022.

High-Level Panel Recommendations

Having said the above, Government did commission a report by the High-Level Panel on the Namibian Economy (HLPNE) which was published in February 2020 and contained reasonably detailed analysis and recommendations on public enterprise reform.

It is recommended that Cabinet approves in principle a Transformation Plan for the 22 commercial enterprises. A key guiding principle that should be adopted is that Government should desist from providing services, directly or through SOEs, that the private sector can deliver or is delivering more efficiently and competitively. Using this guiding principle, and for the purposes of developing transformation plans, 22 public enterprises were put in logical groups.

Table 1: Recommendations of the High-Level Panel on the Namibian Economy

Public Enterprise Group	Recommendation	Public Enterprises
Group 1	Listing	MTC
Group 2	Joint ventures and partnerships	Nampost, NIP, Telecom, Meatco, NWR, Namport
Group 3	Divestitures	Windhoek Country Club, Lüderitz Waterfront, Zambezi Waterfront, Roads Contractor Company
Group 4	Mergers	Road Fund Administration and Roads Authority Regional and Domestic Air Namibia and Namibia Airports Company

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Group 5	Retain	Namwater, NamPower, Namcor
	Joint Venture or full concessioning	TransNamib

NB: No mention is made of the Namibia Industrial Development Agency

It is proposed that the Ministry of Public Enterprises be phased out over 3-5 years and that it be replaced by a holding company which will be run independently by a board appointed by the Government and that will own, on behalf of the Government, all the shares in public enterprises.

The report was published at around the same time that Air Namibia was placed in liquidation which rendered the rather unrealistic recommendation that Air Namibia follow the Ethiopian Airlines model redundant. The report gave its blessing to the listing of MTC on the Namibian Stock Exchange (NSX), something which had already been announced on 22 May 2019 and eventually took place on 19 November 2021. The report also gave the green light to the idea of a holding company. Apart from that it is hard to see what recommendations on public enterprises have been followed through in the four years that have passed since publication. Despite this, the fact that the report recommended structural reforms rather than just improvements to public enterprise governance was important.

Do We Still Have a Problem?

So, four years down the road from the HLPNE, how has the situation changed? If the term commercial public enterprise is to mean anything, it must surely mean operating according to commercial principles and at least covering costs and not making a loss. Of course, it is important to understand that this is not the only measure of success but it is surely a fundamental condition of success. The table below shows the state of profitability of 21 public enterprises (excluding now liquidated Air Namibia) according to the latest company annual reports publicly available online. In cases where no reports are available (at least five companies do not seem to publish annual reports at all) it is assumed the entity is making a loss.

Table 2: Profitability of Commercial Public Enterprises

NamPower FY21/22	**Namibia Wildlife Resorts FY21/22**
MTC FY21/22	**Namibia Airports Company FY21/22**
Namibia Post FY22/23	**TransNamib Holdings FY20/21**
Namibia Ports Authority FY22/23	**Namibia Industrial Development Agency**
Telecom Namibia FY21/22	**Epangelo Mining Company FY20/21**

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Namibia Desert Diamonds FY22/23	**Lüderitz Waterfront Company**
Namibia Water Corporation FY20/21	**National Fishing Corporation FY16/17**
Roads Authority*	**Henties Bay Waterfront**
National Petroleum Corporation FY21/22	**Roads Contractor Company**
Namibia Institute of Pathology FY20/21	**Zambezi Waterfront**
	Meat Corporation of Namibia FY22/23

NB: Based on latest available company annual reports as at 1 January 2024

The table suggests over half of all commercial public enterprises are making losses in the last financial year for which information is available. Reports from early February 2024, state that the Namibia Airports Company[1] made a profit of N$19 million for FY22/23 although the FY22/23 annual report has not appeared on the company's website. Newspaper reports also suggest that NamPower[2] and Namcor[3] have both recorded significant losses in subsequent financial years. Furthermore, Telecom's and Namwater's profitability is tenuous and marginal at best. Thus, despite decades of supposed reform, it does not look like the single most important criterion for success is being achieved by a significant majority of commercial public enterprises.

Some Economic Considerations

Economic principles have something important to say about commercial public enterprises and, as is so often the case, ignoring fundamental economic principles inevitably means running into trouble. It is worth recalling what these principles are.

The first is that public enterprises vary enormously in their economic characteristics and functions and there is, therefore no "one size fits all" prescription for reform.

Secondly, politics and business are very different spheres and politicians and business people respond to very different incentives. If politicians are put in charge of commercial undertakings they are likely to pursue political rather than commercial objectives and the two are generally in conflict. The classic international example is the paved road to the president's village that wins votes for the president but adds little to the productive capacity of the economy.

[1] https://informante.web.na/?p=354073
[2] https://ww2.namibian.com.na/nampower-loses-n2-billion/
[3] https://www.namibian.com.na/namcor-blames-n700m-loss-on-internal-breach-market-instability/

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The third is that competitive markets, where there are many producers and many consumers, are the most efficient way of delivering goods and services. Producers have to compete to win the custom of consumers thereby lowering costs and improving the quality of service.

The fourth is that it is not always possible to create a competitive market in all goods and services. In an example of what economists broadly refer to as market failure means that, in the case of natural monopolies, it is more economically efficient to have a single producer. Thus, in the cases of rail, power transmission, and telecom networks, it can make sense to have a single provider. The question then is whether the provider should be state-owned or private and subject to regulation. Key pieces of infrastructure such as airports and ports also have the characteristics of natural monopolies although again these do not necessarily have to be publicly owned.

The problem with state monopolies is that they have very few incentives to provide quality service at competitive prices. The problem with private monopolies is that they can overcharge and undersupply to maximise profits unless they are regulated.

Then there are the issues of moral hazard and being too big (or important) to fail. Private companies know if they manage their affairs badly they will make a loss and eventually go out of business. Shareholders will apply pressure to ensure this does not happen and to maximise their profits. Public companies know that if they manage their affairs badly they will be bailed out by their sole shareholder, the Government. And Government only rarely applies pressure because everything becomes a political matter.

Whilst private companies have to respond to market demands to ensure they retain profitability, public companies do not. Reducing the number of employees in a public enterprise is a highly political matter. Making new investments is subject to considerable bureaucracy and the Central Procurement Board. This means public enterprises will always struggle to be as nimble and responsive as private enterprises.

Conflicts of interest can arise where Government decides to take strategic stakes in the economy and there is a danger that as both player and referee it fails to regulate properly because that will damage its commercial involvement. Generally speaking, Governments can far more effectively regulate a group of private players where no single player has a privileged position rather like an independent referee in a football match.

Commercial public enterprises do not generally have a share price against which success can be measured and the shareholder is generally distant and distracted and often in fiscal distress.

As a result of these features, public enterprises are often politicised (owned by government), are asked to pursue non-commercial strategies ("development objectives"), cannot set economic prices (are not able to set prices that cover their costs), are overstaffed

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(they cannot reduce staffing), are undercapitalised (they cannot build their balance sheets), and suffer from underinvestment (as they cannot afford to invest). These situations can be recognised in many of Namibia's commercial public enterprises.

A Roadmap for Reform Based on Economic Thinking

Economists would take the economic considerations listed above as the basis for long-term reform. This being the case, commercial public enterprises can be usefully grouped together in a way not dissimilar to that of the HLPNE.

The first group consists of public enterprises that provide key pieces of national infrastructure which have strong natural monopoly characteristics: NamPower's transmission network, Namport, Namibia Airports Company and Namwater. Because they are essentially natural monopolies and it is hard to imagine other suppliers entering the market to compete with them, companies like these around the world often find themselves owned by government. An alternative to state ownership is privatisation combined with some degree of regulation to ensure that private monopolies do not abuse their monopoly position. Privatisation could raise significant sums for the fiscus and potentially lead to improved levels of service. This is a model adopted in many countries.

NamPower is currently a publicly-owned natural monopoly whose prices are regulated by the Electricity Control Board. It generally makes a modest profit and in recent years has scored well in the IPPR's Public Enterprise Governance Rankings. However, over the decades the company has struggled to deliver new generating capacity and it has yet to be seen whether the four generating projects it currently envisages will actually get off the ground. Independent Power Producers (IPPs) have entered the market and far larger IPPs are likely to do so as Namibia's green hydrogen initiative gathers pace. Over time, one can imagine a situation whereby NamPower increasingly focuses on strengthening the national electricity grid into which genuine IPPs (with no NamPower shareholdings) deliver power on the basis of price and competition. Namibia's Modified Single Buyer (MSB) policy could be changed further to allow IPPs to deliver more than 30% of the power required by individual consumers. NamPower should not constitute a bottleneck to attracting private sector investment into the electricity sector.

The other companies – Namport, Namibia Airports Company and Namwater – could be privatised and regulated or, as state-owned companies, could usefully partner up with larger international partners, something Namport is already doing with its new container terminal. Namwater's problem is that it may be inefficient (as it does not face competition) and is also prevented by government from charging prices that allow it to properly maintain its existing infrastructure and build a strong balance sheet which would allow it to raise new capital for new infrastructure without help from government. Namwater is pressing ahead (again) with its own desalination plant but the Erongo Desalination Company (EDC) has already demonstrated that private sector operators are able to deliver bulk water at

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competitive prices. As with electricity, green hydrogen producers are likely to develop their own desalination plants which could in principle help satisfy wider demand.

TransNamib also falls into this first group as the rail network constitutes a classic natural monopoly. Strikingly, the company has possibly the most chequered history of all public enterprises in Namibia and clearly political interference and poor governance have been huge issues for almost three decades. TransNamib's rolling stock is ancient and its workshops and other assets in a state of disrepair. Namibia is already experimenting with allowing private operators to use the public rail network to transport manganese on the southern network to the port of Lüderitz and this can be extended gradually across the whole network as more experience is gained. One key issue will be to extend and maintain the track and a clear revenue stream should be dedicated towards this objective rather than relying on the whims of national budget allocations.

The second group consists of the two telecoms companies MTC and Telecom Namibia. As the HLPNE pointed out, Namibia's telecoms sector ended up in the absurd situation that was precisely contrary to what policy was aiming for: a de facto monopoly and a marginal player both state-owned rather than a competitive market with two or three privately-owned players. The listing of MTC will make it harder to change the situation for the better as listing has created another interest group (private shareholders including the GIPF) that benefits from the company's monopolistic domination of the market. Meanwhile delaying the privatisation of Telecom Namibia (which was already being considered in the late 1990s as shown above) means that the company is a lot less valuable than it used to be. In good years it scrapes out a meagre profit and has suffered from significant governance problems. But the original long-term aim of creating a competitive telecoms market which modern technology allows is a good one as technology is developing so quickly that state-owned companies are always likely to become laggards. A competitive market involving three privately owned players (MTC, Telecom Namibia and Paratus say) with or without international strategic partners would bring immense benefits to Namibian consumers and (if taxed correctly) the Namibian fiscus.

The third group consists of those companies that help Government take strategic stakes in various sectors of the economy: Namcor, Namibia Wildlife Resorts, Epangelo Mining and Fishcor. None of these companies has performed well over time but for different reasons. Surely the time has come to decide whether these "strategic stakes" have worked to the advantage of the national economy? The last QER detailed Namcor's chequered history and poor governance (to say the least). Its lack of adequate income streams has led it to rely on an additional levy on fuel consumers. There may be a case for splitting the company into upstream and downstream operations. There is little in the downstream operations that cannot be done by private companies without public subsidy. Namibia Wildlife Resorts competes directly with the private sector but, despite having some of the best tourism assets in the country, has struggled to become financially self-sustaining. It managed to notch up a first marginal profit just prior to the Covid pandemic and claims to have paid all its debts. This is one company where a straightforward policy of privatisation (with

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safeguards on aspects that impinge upon the ecological sensitivities of national parks) would be appropriate. Since Epangelo Mining was created it has never really been trusted to take serious stakes in the country's mining industry. In truth, without significant capital and mining expertise, it has little to contribute to the sector and can be closed down with the minimum of disruption or replaced by the new holding company. Fishcor has performed poorly and found itself at the centre of the Fishrot scandal. It can be closed down and its quotas reallocated to other companies on the condition that operations in Lüderitz are maintained.

Although it could be argued that Namdia represents a strategic stake in the diamond industry (Government already owns 50% of Namdeb), Namdia is a slightly different animal as it was created as a means of ensuring Namibia receives the best prices for its diamonds by selling diamonds outside the De Beers marketing system. As far as is known, this objective has never been tested. It is by no means clear that establishing an expensive new public enterprise to sell diamonds that could have been sold through the Namibia Diamond Trading Company (NDTC) yields more revenue to Government. Furthermore, selling a fixed run of production quantity of diamonds outside the NDTC system leaves fewer diamonds for local cutting and polishing companies. Admittedly, the existence of Namdia may provide Government with some additional leverage over De Beers when it comes to periodic negotiations on the marketing agreement but revenues to Namibia could be greater if all Namdeb production were to flow through the De Beers system. Furthermore, De Beers buys Namibia's diamonds even when the diamond market is depressed. However, these issues deserve to be examined objectively in greater detail.

The Roads Authority and the Road Fund Administration have not performed badly in recent years and there may be a good case to merge the two as per the HLPNE recommendation if that leads to cost savings. The question here is much more about whether Namibia is investing too much in its road infrastructure rather than too little. The Roads Contractor Company should have been wound up years ago. There should be a clear preference for private local road contractors for certain projects who should be incentivised to perform through the public procurement system.

Although it has some natural monopolistic characteristics, Nampost provides a range of important services to far-flung and underserved communities but also faces some degree of competition in the services it provides. It has a long track record of quiet but effective governance and performance and regularly makes a modest profit. It does not require reform but also does not need to be part of Namibia Post and Telecommunication Holdings. In a similar way, the Namibia Institute of Pathology is effectively a monopoly but appears to cover its costs without charging unduly high prices and there is therefore no pressing need for reform.

Meatco has monopolistic characteristics but new private sector entrants in the sector like Beefcor Namibia and Savanna Beef Namibia are likely to erode its commercial position which has deteriorated in recent years exacerbated by drought conditions. Government is

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likely to claim that Meatco plays an important role in marketing beef from the Northern Communal Areas (NCAs). But subsidising Meatco for just this purpose seems a poor use of resources.

The remaining public enterprises – the Lüderitz Waterfront Development Company (LWDC), and the Henties Bay Waterfront and Zambezi Waterfront Companies are development projects rather than commercial public enterprises. They have been in existence long enough now to determine whether there is any hope of them become financially self-sustaining or not. They do not publish annual reports or financial statements, so it is hard to judge how well or badly they are doing from a commercial point of view. The situation of Lüderitz town is likely to change out of all recognition with the advent of Hyphen Hydrogen's green ammonia plant and the oil and gas industry is likely to impact the town too. These developments are likely to render the need for development projects like the LWDC redundant.

Taken together the considerations detailed above represent a clear long-term programme for reform: a roadmap for reform.

Table 3: Options for Reform of Commercial Public Enterprises

Public Enterprises	Possible Reform
NamPower	Focus on transmission network and encourage genuine IPPs (with no NamPower shareholdings) for generation
Namport	Maintain state ownership with strategic partners or privatise and regulate
Namibia Airports Company	Maintain state ownership with strategic partners or privatise and regulate
Namwater	Maintain state ownership but encourage private water desalination to boost bulk water supply
TransNamib	Maintain state ownership of track but encourage private operators to provide rolling stock
Nampost	No structural reform required
MTC	Privatise completely and ensure regulation is neutral and does not favour any one particular player
Telecom Namibia	Privatise completely and ensure regulation is neutral and does not favour any one particular player
Namibia Institute of Pathology	No structural reform required
Namcor	Split upstream and downstream and privatise downstream operations
Fishcor	Close down and reallocate quotas to private sector companies
Namibia Wildlife Resorts	Privatise whilst ensuring national parks are safeguarded

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Epangelo	Close down
Meatco	Close down and allow private companies to compete
Namdia	Conduct study to examine whether Namdia helps maximise revenue from diamonds
Roads Contractor Company	Close down
Namibia Industrial Development Agency	Publish annual financial statements
Roads Authority	Merge with Road Fund Administration
Road Fund Administration	Merge with Roads Authority
Lüderitz Waterfront	Publish annual financial statements and assess
Henties Bay Waterfront	Publish annual financial statements and assess
Zambezi Waterfront	Publish annual financial statements and assess

The Art of Looking Busy

Government has spent the last 25 years trying to give the impression it is reforming commercial public enterprises whilst in reality doing very little of substance. That is not to say that striving to improve governance standards has been pointless. It is never pointless to improve corporate governance. However, in certain cases improvements in governance falls far short of what is required to reduce the fiscal burden, raise investment, reduce prices, and improve the quality of service. For that far more structural reform is required – something recognised by the High-Level Panel on the Namibian Economy in 2020 – involving a mix of privatisation, strategic partnerships, opening up sectors to private investment and closing down enterprises that have shown themselves incapable of operating commercially. Far better that Government has a clear long-term vision for where it wants to end up than being buffeted by forces beyond its control and having to constantly respond with ad hoc measures. It is by no means certain that creating a holding company to own such a disparate group of companies will help to promote reform or hold it back. There is a great danger that the prospect of untold oil revenues by the end of this decade could blunt the desire to reform. It would be a great shame if the budget statement of 2049 contained the same complaints about public enterprises as the budget statements of the last 25 years.

- The contents of this Quarterly Economic Review do not necessarily reflect the views of the IPPR but are in keeping with the IPPR's mission to publish critical and constructive analysis on economic, political, and social issues affecting development in Namibia.

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News Highlights

Date	Highlight	Commentary
29 December	SIM card registration delayed to March (The Namibian)	Information and Communication Technology Minister Peya Mushelenga announced the extension of SIM card registration deadline to 31 March 2024. The registration drive commenced in mid-2022 and requires all SIM cards to be linked to a Namibian ID, passport or other official identity document.
26 December	President reduces foreign trips (The Namibian)	President Geingob reduced his international trips from 74 days last year to 41 days in 2023 reducing his potential subsistence and travel allowance to around N$715,000.
21 December	Hyphen announces funding for Government equity stake (James Mnyupe)	Hyphen Hydrogen announced that it had concluded an agreement with SDG Namibia One to secure funding for the 24.1% Government equity stake. €30 million is expected to be secured from the European Investment Bank in January 2024.
21 December	Government makes U-turn on Samoa deal (The Namibian)	Affirmative Repositioning (AR) leader Job Amupanda was dismayed by the Government's decision to sign a new partnership agreement between the EU and the Organisation of African, Caribbean and Pacific States (OACPS) also known as the Samoa agreement. This came after Government had pronounced itself against the agreement in November.
13 December	Over 24,000 private sector job losses in five years (The Namibian)	The Ministry of Labour, Industrial Relations and Employment Creation released figures which showed that 24,334 employees were retrenched between January 2018 and December 2023. The Covid pandemic and its aftermath alone claimed the jobs of 18,245 employees at 1,430 companies.
8 December	Russian Deputy Prime Minister visits Namibia (The Namibian)	Russia's Deputy Prime Minister Yuri Trutnev visited Namibia as both countries strive to strengthen bilateral relations.
7 December	Ribbon-cutting ceremony at new US Embassy (US State Department)	US Ambassador Randy W Berry welcomed US Ambassador to the United Nations Linda Thomas-Greenfield to the formal opening of a new US$300 million US Embassy on a 12.8 acre site in Windhoek.
7 December	Hyphen secures €5m loan from DBSA (H2 View)	At COP28 Hyphen Hydrogen and the Development Bank of South Africa (DBSA) announced that they had closed a €5 million project preparation funding loan for Hyphen's US$10 billion green hydrogen project.
6 December	Hyphen recognised at COP28 (H2 View)	Hyphen Hydrogen was recognised as a Low Carbon Hydrogen Energy Transition Changemaker at COP28 in Dubai alongside nine other leaders in renewable energy.
6 December	Bank of Namibia holds repo rate (Bank of Namibia)	The Monetary Policy Committee (MPC) of the Bank of Namibia decided to hold the key repo rate constant at 7.75% for the third time in a row citing a projected slowdown in inflation. The next meeting of the MPC is scheduled for 14 February 2024.

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28 November	Andrada produces first lithium concentrate (Mining Technology)	UK-listed Andrada Mining reported the first lithium concentrate production from its pilot plant which was commissioned last month at its Uis lithium project.
27 November	Namibia experiences drop in rhino poaching (Xinhua)	Environment, Forestry and Tourism spokesperson Romeo Muyunda told Xinhua that 42 cases of rhino poaching were registered in 2023 compared to 87 in the previous year. However, elephant poaching is on the rise.
20 November	UAE company threatens to take Namcor oil stock (The Namibian)	Augusta Energy from the United Arab Emirates (UAE) threatened to take over oil stock belonging to the National Petroleum Corporation of Namibia (Namcor) unless it settles a N$176 million debt.
20 November	Namibia and Botswana agree to lower roaming rates (Windhoek Observer)	Namibia and Botswana announced plans to lower roaming rates from 1 April 2024.
10 November	Telecom Namibia and Huawei sign fixed-mobile convergence deal (Xinhua)	Telecom Namibia and Huawei signed a N$100 million agreement to deliver a fixed-mobile convergence core network.
10 November	Paratus secures US$31 million funding (Namibia Economist)	Paratus Group announced it successfully secured a funding injection of US$31 million which will help fund the company's ambitious expansion plans. The capital infusion was facilitated by Cirrus Capital and was provided by Emerging Africa Infrastructure Fund, Private Infrastructure Development Group, and Ninety One, a global asset manager.
10 November	Labour reforms announced (The Namibian)	Labour Minister Utoni Nujoma announced that he had submitted a proposal for a national minimum wage of N$18 per hour to the Labour Advisory Council as well as establishing a social security national pension fund and changes to the Social Security Act, the Employee Compensation Act and the Affirmative Action Act.
9 November	Home loan curbs relaxed to stimulate economy (Xinhua)	Deputy Governor of the Bank of Namibia Leonie Dunn announced in a statement that mortgage loans for second residential properties would no longer require any deposit whilst mortgage loans for this and subsequent residential properties would require a 10% deposit.
8 November	Otjikoto mine produces 44,940 ounces of gold in Q3 2023 (B2Gold)	B2Gold reported that its Otjikoto mine produced 44,940 ounces of gold in Q3 2023. Production from the Wolfshag underground mine "remained consistent" while "open pit mining operations are scheduled to ramp down in 2024 and conclude in 2025".
7 November	Construction begins on Oshivela decarbonised iron plant (Reuters)	Construction began on HyIron's Oshivela decarbonised iron plant power exclusively by green hydrogen. The plant will produce 15,000 tonnes of iron per year with no carbon emissions which can form the basis of steel production in Germany.

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6 November	Xinfeng given green light to export unprocessed lithium (African Mining Market)	The Ministry of Mines and Energy granted permission to Xinfeng to export 6,000 tonnes of unprocessed lithium ore following a meeting between senior police officials and ministry staff. The lithium had been produced at Long Fire's mine near Uis.
2 November	BIPA could waive N$275 million in penalties (The Namibian)	Business and Intellectual Property Authority CEO Vivienne Katjiuongua issues a statement saying BIPA may waive N$275 million of penalties accumulated between 2012 and 2022 provided businesses opted to participate in BIPA's Annual Duty Penalty Waiver Programme.
2 November	Namibia will not sign new partnership agreement with EU (The Namibian)	Deputy Prime Minister and International Relations Minister Netumbo Nandi-Ndaitwah announced in the National Assembly that Namibia would not sign a new 20-year partnership agreement with the EU as part of the Organisation of African, Caribbean and Pacific States (OACPS) in its current form.
31 October	Mid-Year Budget Review tabled	Finance and Public Enterprises Minister Iipumbu Shiimi tabled the Mid-Year Budget Review in Parliament. Better than expected revenue allowed him to raise operational spending but reduce the projected budget deficit for the year to 4.2% of GDP.
30 October	Public enterprises ownership policy unveiled (Namibia Economist)	Finance and Public Enterprises Minister Iipumbu Shiimi unveiled government's Public Enterprises Ownership Policy (PEOP) formulated in alignment with the recommendations of the High-Level Panel on the Namibian Economy (HLPNE). The country's 81 public enterprises employ an estimated 25,000 people.
26 October	Namibia ranks 2nd out of 34 African countries in Rule of Law Index (Namibia Economist)	The World Justice Project (WJP) ranked Namibia 44th out of 142 countries in its Rule of Law Index and second in Sub-Saharan Africa after Rwanda.
25 October	Bank of Namibia holds repo rate (Bank of Namibia)	The Monetary Policy Committee (MPC) of the Bank of Namibia decided to hold the key repo rate constant at 7.75% for the second time in a row.
24 October	Namdeb produced 530,000 carats in Q3 2023 (AA)	Anglo American (AA) reported that Namdeb Holdings produced 530,000 carats in Q3 2023 compared to 612,000 carats in Q2 2023 and 531,000 carats in the same quarter of 2022. Out of the latest quarterly total 107,000 carats came from land-based operations.
24 October	Namibia and EU agree on strategic partnership (EU)	In Brussels President Geingob and EU Commission President von der Leyen endorsed the operational roadmap for the EU-Namibia strategic partnership on sustainable raw materials value chains and renewable hydrogen supported by €1billion in investments by the EU, its Member States and European financial institutions.
24 October	Police ordered to stop lithium exports (Reuters)	Mining Commissioner Isabella Chirchir wrote to the police chief Joseph Shikongo instructing him to stop any trucks carrying raw

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		lithium ore from Xinfeng's Kohero mine about 250km north west of Windhoek.
18 October	Green hydrogen industry could create 600,000 jobs by 2040 (The Namibian)	In a speech to the Africa Energy Week conference in Cape Town, President Geingob stated that Namibia's green hydrogen economy could lead to the creation of 600,000 direct and indirect jobs by 2040.
15 October	Cabinet turns down Namcor bailout (The Namibian)	Cabinet turned down a proposal to bail out the National Petroleum Corporation (Namcor) which is in debt of over N$2 billion and faces potential liquidation. Namcor owes N$1.1 billion to Gunvor Group, an international company that sells oil and other commodities. The IPPR QER covered Namcor's chequered history in QER Q3 2023.
11 October	Namibia expects first oil by 2030 (Reuters)	At an oil conference in Cape Town, Petroleum Commissioner Maggi Shino said Namibia is considering a Floating Production Storage and Offloading (FPSO) platform to help export crude oil by 2030.
10 October	NamPower issues tender for 40MW biomass plant (Energy Capital & Power)	NamPower issued a tender for an engineering, procurement and construction contract for the 40MW Otjikoto biomass power station near Tsumeb.
5 October	Namibia making progress on local ownership of banks (The Namibian)	Speaking at a media event, Bank of Namibia Deputy Governor Ebson Uanguta stated that Namibia is making reasonable strikes towards promoting local ownership of banks with some banks already meeting the 25% minimum threshold and some already above 40%.
5 October	Trigon Metals ships first concentrate (Business Wire)	Canada-listed Trigon Metals announced it had shipped its first copper concentrate product from its Kombat mine on 29 September 2023.
3 October	IMF highlights red tape (The Namibian)	Following its periodic Article IV Mission to Namibia, the International Monetary Fund (IMF) highlighted the need for government to streamline administrative processes and create a more conducive environment for foreign investors saying "there is a general sense that the economy is slightly over regulated".

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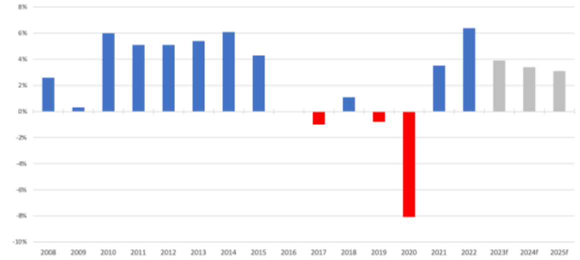
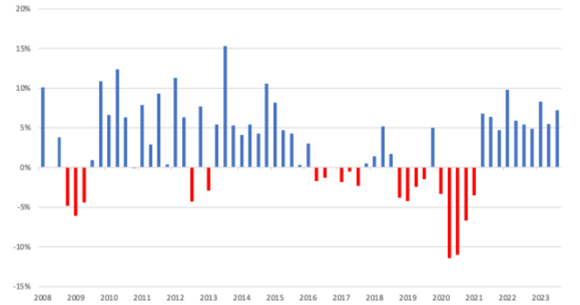
Key Economic Variables

GDP Growth (%)



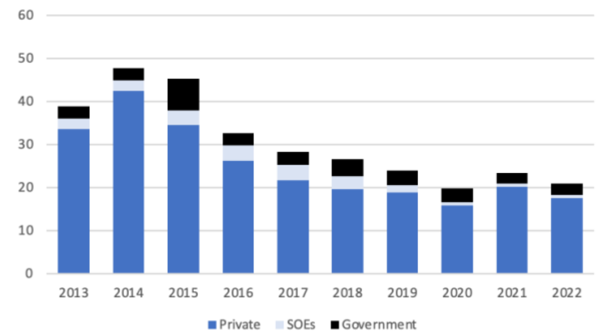
According to the latest quarterly GDP figures from the NSA, GDP grew by a revised 6.4% in 2022 after growing by 3.5% in 2021. The Bank of Namibia expects GDP to grow by 3.9% in 2023, 3.4% in 2024 and 3.1% in 2025.

GDP Quarterly Growth (%)



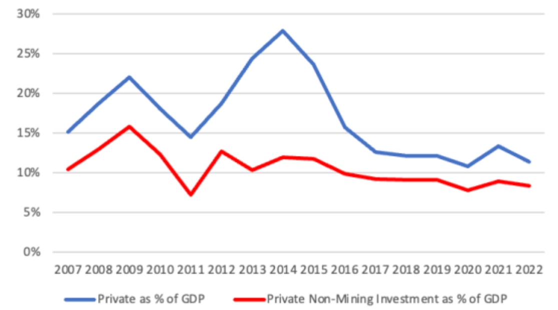
In Q3 2023 GDP grew by 7.2% compared to 5.5% in Q2 2023, the tenth successive increase in economic activity after the last quarterly contraction experienced in Q1 2021.

Fixed Investment (N$bn in 2015 prices)



Investment by the private sector, SOEs, and government measured in 2015 prices rose slightly in 2021 but fell back again in 2022.

Private Fixed Investment (% of GDP)



Total private and private non-mining fixed investment fell slightly after picking up marginally in 2021.

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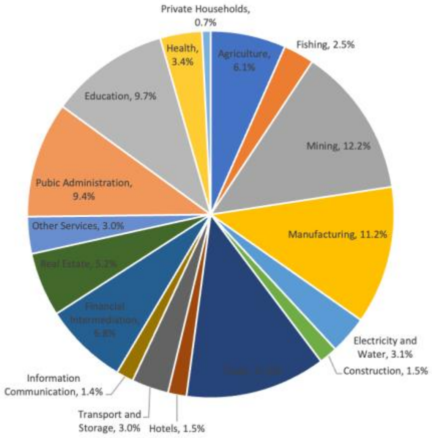
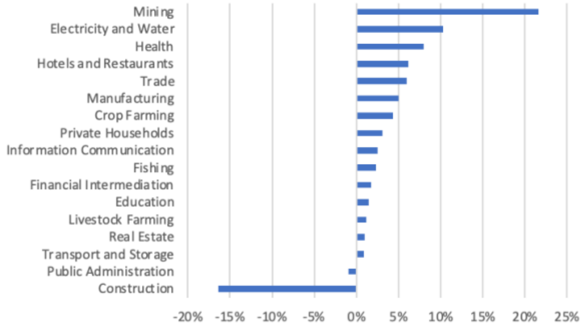
Sectoral Breakdown of GDP in 2022 (%)



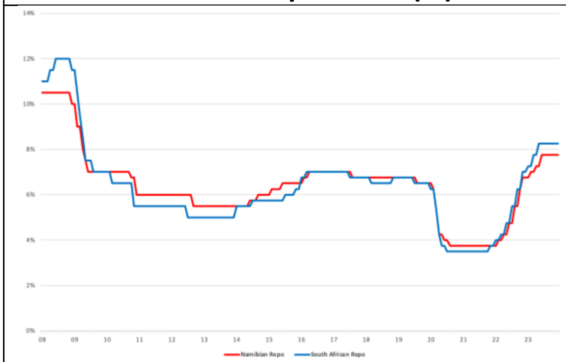
The chart shows the contributions made to overall economic activity in 2022 by the different sectors of the economy according to the full national accounts. Service sectors contributed 55.5% while primary and secondary sectors contributed 20.8% and 15.8% respectively.

Sectoral Growth in 2022 (%)



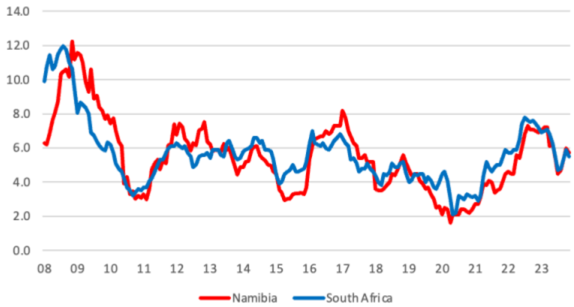
Most sectors of the economy experienced some degree of positive growth in 2022 led by the mining, electricity and water, and health sectors. However, the hard-hit construction sector continued to suffer a significant contraction.

Namibian and SA Repo Rates (%)



In response to higher inflation primarily due to a more inflationary global environment, the Bank of Namibia started raising the repo rate in early 2022 but since June 2023 the rate has remained constant for the past three MPC meetings at 7.75% in Namibia, slightly lower than 8.25% in South Africa.

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



Namibian consumer inflation fell steadily to 4.5% in July but has since ticked up to 5.7% by November, slightly higher than the corresponding 5.5% in South Africa. The Bank of Namibia’s latest MPC statement in December forecasts inflation to average 5.9% in 2023 and 4.8% in 2024.

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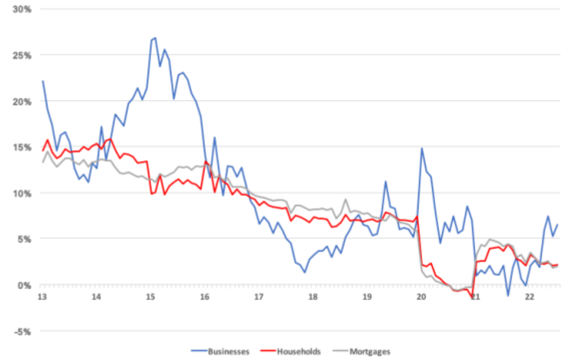
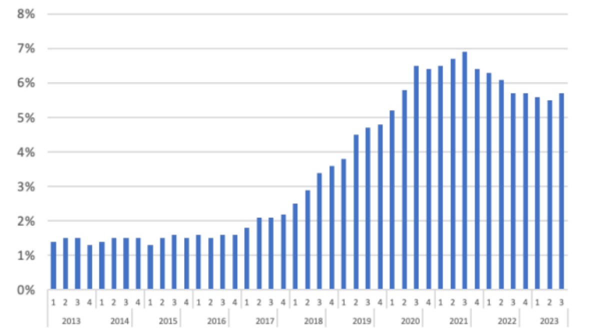
Private Sector Credit Extension (% y-o-y)



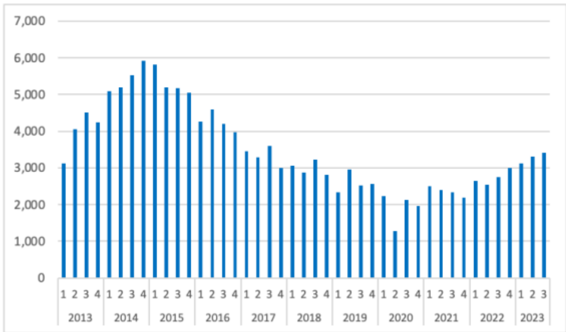
Credit growth to business has risen since the lows of 2021 whilst credit to households has remained subdued as is residential mortgage lending.

Non-Performing Loans (% of Total Loans)



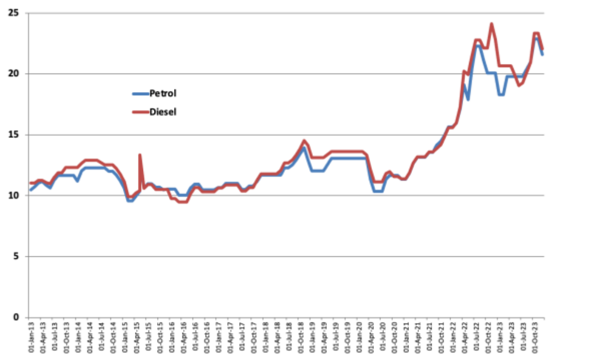
The ratio of Non-Performing Loans (NPLs) reported by the commercial banks to the Bank of Namibia rose in Q3 2023 to 5.7% after falling for seven successive quarters.

New Vehicle Sales (Units Sold)



The combined sales of new commercial and private vehicles rose for the fifth successive quarter from 3,306 in Q2 2023 to 3,408 in Q3 2023.

Price of Petrol and Diesel (N$/l)



Controlled petrol and diesel prices started Q4 2023 at N$22.88 and N$23.35 per litre respectively and ended the quarter at N$21.58 and N$22.05 for diesel 10ppm per litre.

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Data Trends

	Unit	2016	2017	2018	2019	2020	2021	2022
Annual Economic Growth								
GDP	%	0.0%	-1.0%	1.1%	-0.8%	-8.1%	3.5%	7.6%
GDP current prices	N$m	157,708	171,570	181,067	181,211	174,243	183,940	206,205
Change in Mining Value Added	%	-10.7%	14.2%	16.1%	-8.7%	-15.0%	11.0%	21.6%
Change in Manufacturing Value Added	%	10.0%	-1.6%	-0.4%	4.7%	-17.1%	-1.2%	5.0%
Fixed Investment								
Fixed Investment	% of GDP	21.8%	17.9%	16.9%	15.8%	13.7%	16.0%	14.1%
Change in Fixed Investment	%	-27.7%	-13.7%	-6.0%	-9.5%	-17.7%	18.4%	-10.7%
Fixed Investment - Government	'000 N$m	5,586	5,127	4,858	4,616	3,961	3,651	4,378
Fixed Investment - SOEs	'000 N$m	4,000	4,068	3,678	2,034	1,048	1,237	1,245
Fixed Investment - Private	'000 N$m	24,836	21,570	22,008	21,893	18,802	24,550	23,378
Prices and Interest Rates								
Average Inflation	%	6.7%	6.1%	4.3%	3.7%	2.2%	3.6%	6.1%
Year End Prime Lending Rate	%	10.75%	10.50%	10.50%	10.25%	7.50%	7.50%	10.50%
Year End Repo Rate	%	7.00%	6.75%	6.75%	6.50%	3.75%	3.75%	6.75%
Trade and Balance of Payments								
Exports - total goods	N$bn	48.0	49.8	56.6	57.5	53.7	53.8	69.7
Exports - total services	N$bn	7.2	7.9	8.4	8.4	5.0	4.8	7.9
Imports - total goods	N$bn	82.9	73.8	75.2	77.0	66.5	84.0	107.5
Imports - total services	N$bn	10.1	7.9	7.8	7.3	8.8	8.2	8.8
Trade Balance	N$bn	-37.8	-24.0	-18.0	-18.3	-16.7	-33.6	-38.6
Balance of Payments	N$bn	-23.3	-5.5	-4.3	-2.3	6.6	-18.4	-27.2
as % of GDP	%	-14.7%	-3.2%	-2.4%	-1.3%	3.8%	-10.0%	-13.2%
Foreign Exchange								
Year End Exchange Rate (N$ to USD)	N$	13.6240	12.3930	14.4116	14.0418	14.6246	15.8899	16.9831
Year End Exchange Rate (N$ to EUR)	N$	14.3403	14.8063	16.4848	15.7437	17.9897	17.9794	18.1057
Year End Exchange Rate (N$ to GBP)	N$	16.7264	16.6789	18.3424	18.4383	19.9801	21.4752	20.4714
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)	BB- (stable)
Moody's credit rating (at year end)		Baa3 (-ve)	Ba1 (-ve)	Ba1 (-ve)	Ba2 (stable)	Ba3 (negative)	Ba3 (negative)	B1 (stable)
Financial Sector								
Private Sector Credit Extension Growth	%	8.9%	5.1%	6.6%	6.8%	2.0%	1.2%	4.2%
Non-Performing Loans	% of total loans	2.5%	2.9%	3.6%	4.8%	6.4%	6.4%	5.6%
NSX Overall Index (at year end)	Index	1,069	1,206	1,303	1,306	1,232	1,572	1,639
NSX Local Index (at year end)	Index	547	591	621	614	456	529	507
New Local Listings		0	1	0	1	0	1	0
Business Indicators								
Namdeb Diamond Production	'000 carats	1,573	1,805	2,008	1,700	1,448	1,467	2,137
Uranium Production	tonnes	3,654	4,224	5,525	5,476	5,413	5,753	5,613
Gold Production	kg	6,604	7,272	6,171	6,526	6,254	7,103	6,992
SHG Zinc Production	tonnes	85,427	84,215	65,993	67,295	659	0	0
Mining Licences Granted	number	1	2	3	4	6	11	8
Exploration Licences Granted	number	142	174	259	297	243	97	56
Number of Companies Formed	number	1,409	1,110	2,851	1,153	852	n/a	1,153
New Vehicle Sales	number	17,038	13,352	11,998	10,379	7,606	9,414	10,919
Tourist Arrivals	'000	1,469	1,499	1,557	1,596	170	233	461
- From Africa	'000	1,094	1,091	1,164	1,252	112	163	256
- From Europe	'000	295	312	306	256	45	59	155
- From RoW	'000	81	97	87	89	12	11	50
International Arrivals at HKIA	'000	143	213	247	215	46	63	163
Regional Arrivals at HKIA	'000	248	242	239	223	45	64	134

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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**	**FY 23/24**
Revenue	N$bn	50.9	58.7	55.9	58.4	57.8	55.4	64.4	78.6
Expenditure	N$bn	62.2	67.5	65.3	66.6	72.0	70.3	74.4	89.0
Budget Balance	N$bn	-11.4	-8.9	-8.4	-8.2	-14.2	-14.9	-10.1	-9.7
Public Debt	N$bn	69.9	74.5	87.5	100.4	110.5	125.8	142.7	153.7
Interest Payments	N$bn	4.3	5.4	6.3	7.0	7.4	7.7	9.4	11.8
Public Guarantees	N$bn	6.4	11.0	10.9	11.1	10.1	10.3	9.4	8.6
Revenue	% of GDP	31.6%	33.7%	30.9%	32.6%	32.8%	29.2%	30.6%	33.7%
Expenditure	% of GDP	38.6%	38.8%	35.5%	37.3%	40.9%	37.1%	35.4%	38.2%
Balance	% of GDP	-7.1%	-5.1%	-4.6%	-4.6%	-8.1%	-7.9%	-4.8%	-4.2%
Public Debt	% of GDP	43.4%	42.8%	48.4%	56.0%	62.7%	66.4%	67.9%	66.0%
Interest Payments	% of revenue	8.5%	9.3%	11.3%	11.9%	12.8%	13.9%	14.7%	15.0%
Public Guarantees	% of GDP	3.9%	6.3%	6.0%	6.2%	5.8%	5.5%	4.5%	3.7%
		2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
International Rankings									
Global Competitiveness Index Ranking		84/135	99/135	100/140	94/141	n/a	n/a	scrapped	scrapped
Global Competitiveness Index		4.0	4.0	4.0	54.5	n/a	n/a	scrapped	scrapped
Energy Transition Index Ranking		70/120	57/120	60/120	43/120	68/120	67/120	71/120	58/120
Energy Transition Index		50.6	53.6	54.4	57.8	53.5	54.2	54.6	55.1
Ease of Doing Business Ranking		104/189	108/190	106/190	107/190	104/190	scrapped	scrapped	scrapped
Ease of Doing Business Index		59.61	59.57	60.29	60.53	61.4	scrapped	scrapped	scrapped
Corruption Perceptions Index Ranking		n/a	53/180	52/180	56/180	57/180	58/180	59/180	n/a
Corruption Perceptions Index		52	51	53	52	51	49	49	n/a
Ibrahim Index of African Governance Ranking		7/54	8/54	7/54	7/54	8/54	8/54	n/a	n/a
Ibrahim Index of African Governance		64.7	64.4	64.7	64.3	64.1	64.1	n/a	n/a
Investment Attractiveness Index Ranking		53/104	54/91	60/83	55/76	52/77	59/84	38/62	n/a
Investment Attractiveness Index		66.11	60.67	56.66	58.22	59.72	52.59	59.88	n/a
Open Budget Index (out of 100)		n/a	50	n/a	51	n/a	42	n/a	n/a
World Press Freedom Index - Ranking		17/180	24/180	26/180	23/180	23/180	24/180	18/180	22/180

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 QER Q4 2021 we have included the annual Energy Transition Index and Ranking produced by the World Economic Forum.

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