

COUNTRY PROFILE

Quarterly update

July 2016



United Nations
Economic Commission for Africa

NAMIBIA

Introduction

This update of the 2015 Namibia country profile provides new data and information on recent developments that have occurred since the publication of the country profile in April 2016. This includes new and revised figures for 2015 and, in some cases, data through the first few months of 2016.

Recent developments: Key highlights

- The President of Namibia unveiled the ambitious Harambee Prosperity Plan in his State of the Nation Address in April 2016. This targeted action plan, which complements the Fourth National Development Plan and Vision 2030, is a multi-pronged approach to poverty and inequality reduction, which will be implemented over the period 2016/17 to 2020/21. The plan is built on four pillars: effective governance, economic advancement, social progression, and infrastructure development, each with its own specific targets. The first formal report on the progress of the plan will be published in October.
- Namibia's real gross domestic product (GDP) grew by 5.7 per cent in 2015, compared to 6.3 per cent in 2014. The main drivers of growth were construction, public administration and finance, wholesale and retail trade and metal ores. Strong growth in 2015 was partially offset by a contraction in agriculture

caused by drought conditions and a decline in manufacturing output. From a demand perspective, investment grew by 27 per cent in 2015, but private consumption, which grew by 1.8 per cent, contributed more to overall growth due to its larger share of output, which was 63 per cent of GDP in 2015 (Namibia Statistics Agency, 2016a).

- Real GDP growth in the first quarter of 2016 is estimated to be 3.5 per cent, driven in part by strong retail growth. However, drought continues to plague the agricultural sector and operational factors have led to slower than expected growth in diamond and zinc output (Bank of Namibia, 2016a).
- Consumer price inflation has increased from an average of 3.4 per cent in 2015 to an average of 6.3 per cent in 2016 through May. This is largely due to rising housing, water, electricity, gas, fuel and transport prices (Namibia Statistics Agency, 2016b).
- Initial estimates for the 2015/16 fiscal year indicate a budget deficit of \$10.3 billion Namibia dollars (US\$ 749 million),¹ higher than the N\$ 8.8 billion budget deficit (US\$ 793 million) in the 2014/15 fiscal year. The deficit is expected to shrink in the 2016/17 fiscal year as revenue growth outpaces increases in expenditure (Ministry of Finance, 2016).

¹ Data in Namibia dollars were converted to United States dollars using the average exchange rate over the relevant period (table 6, Bank of Namibia, 2016b).

- The total debt stock at the end of 2015 increased 72.0 per cent in comparison with 2014 due to the issuance of new bonds, domestic borrowing and the depreciation of the Namibia dollar. At the end of the first quarter of 2016, total debt as a percentage of GDP was 36.0 per cent, higher than the government debt ceiling of 35 per cent. Debt levels are expected to rise further over the next fiscal year, before going back below the threshold over the medium-term expenditure framework (Bank of Namibia, 2016c).
- The Bank of Namibia has increased interest rates by 25 basis points twice in 2016, first in February and again in April, to align interest rates within the Common Monetary Area. The repo rate was maintained at 7.00 per cent in June 2016. The decisions to increase rates were motivated by the desire to avoid potential capital outflows, which would put pressure on international reserves, which received an additional buffer from Namibia's second bond issuance on the Johannesburg Stock Exchange in 2015. Temporary increases in the lending and deposit rates following April's Bank of Namibia rate increase have reversed, with lending rates at their 2016 low in May and deposit rates slightly below where they stood before February's rate increase. Thus, the saving behaviour the Bank of Namibia hoped to encourage may not materialize.
- In 2015, the current account deficit grew to N\$ 19.7 billion (11.9 per cent of GDP), from N\$ 10.6 billion (7.4 per cent of GDP) in 2014, due primarily to a weakening trade balance as well as net outflows in the services and investment income accounts. Namibia's merchandise trade deficit widened as growth in the import bill outpaced growth in export revenue. Increased expenditure on imports of machinery, mineral fuel, vehicles and consumer goods led to higher import spending. Although the exported value of diamonds, which account for 33.5 per cent of all exports, grew by 18.3 per cent, overall export growth could not keep pace with imports (Namibia Statistics Agency, 2016c).
- The current account deficit widened further in the first quarter of 2016 to N\$ 4.5 billion (US\$ 282 million) as the trade deficit continued to grow in tandem with higher net payments for foreign services and investment income, and a decline in current transfer receipts (Bank of Namibia, 2016a).
- The surplus in the capital and financial accounts increased significantly in 2015 to a combined total of N\$ 33.2 billion (US\$ 2.6 billion) from N\$ 12.2 billion (US\$ 1.1 billion) in 2014. Net foreign direct investment flows increased substantially in 2015 largely through debt/equity swaps by some companies in the mining sector. Portfolio investment also experienced a large increase in 2015 due to government bond issuance by the central Government. The overall balance of payments position dropped significantly from a surplus of N\$ 1.8 billion (US\$ 163 million) in 2014 to a deficit of N\$ 10.0 billion in 2015 (US\$ 788 million) (Bank of Namibia, 2016d). International reserves expanded significantly in 2015 and the first quarter of 2016, helping to boost import cover, which currently stands at 3.4 months.
- In the first quarter of 2016, the financial and capital account surplus grew 8.0 per cent year-on-year due to capital inflows through foreign direct investment and other long-term investment. Over the same period, portfolio investment experienced a net outflow due to investments in foreign equity and debt instruments by Namibian investors (Bank of Namibia, 2016a).

Economic performance

Macroeconomic and sectoral performance

	Value	Year
GDP, constant prices (millions of US\$)	8,490	2015
GDP, current prices (millions of US\$)	11,554	2015
Real GDP growth rate (%)	5.7	2015
Inflation rate (%)	6.3	2016 (through May)
Current account balance (millions of US\$)	-1,543	2015

Fiscal policy

(millions of Namibia dollars)	Value	Year
Overall deficit	-14,185	2015/16
Budget balance	-10,318	2015/16
Total revenue and grants	56,765	2015/16
Tax revenue	54,328	2015/16
Non-tax revenue	2,263	2015/16
Grants	174	2015/16
Expenditure and net lending	70,950	2015/16

Monetary policy

(%)	Value	Year
Interest rate		
Central bank	6.75	2016 (through May)
Lending	9.33	2016 (through May)
Deposit (average)	5.27	2016 (through May)
Spread	4.06	2016 (through May)

Current account

(millions of Namibia dollars)	Value	Year
Total imports (FOB)	91,423	2015
Total exports (FOB)	58,352	2015
Trade balance	-33,071	2015
Current account	-19,677	2015

Capital and financial accounts

(millions of Namibia dollars)	Value	Year
Inward FDI flows	13,972	2015
Outward FDI flows	704	2015
Portfolio investment	16,950	2015
Financial account	31,419	2015
Capital account	1,751	2015

References

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