

Small economy, good resource base



General Information

GDP	USD12.3bn (World ranking 125, World Bank 2011)
Population	2.32 million (World ranking 141, World Bank 2011)
Form of state	Republic
Head of government	Hifikepunye POHAMBA
Next elections	2014, presidential and legislative



Strengths

- Stable democracy since independence in 1990, with successful transitions following elections
- Close association with South Africa through customs and monetary unions
- Natural resource base includes substantial diamonds (including offshore)
- Manageable foreign debt ratios

Weaknesses

- Land reform programme is a policy priority and there is concern that it may yet develop into a Zimbabwe-style land –grab
- Diversification of economy is relatively limited
- Small population (with high proportion of HIV/AIDS infections) and limited arable land area
- Poverty and unemployment remain high
- Fiscal and current account deficits
- Foreign reserves provide limited import cover

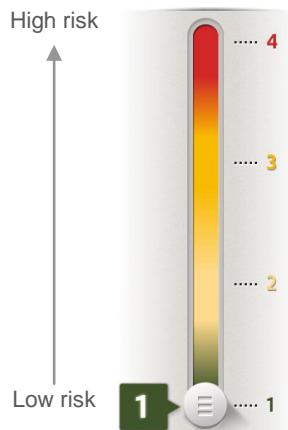
Country Rating

B1

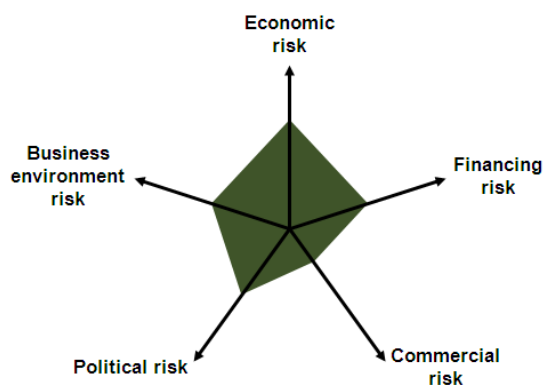
Country Grade



Country Risk Level

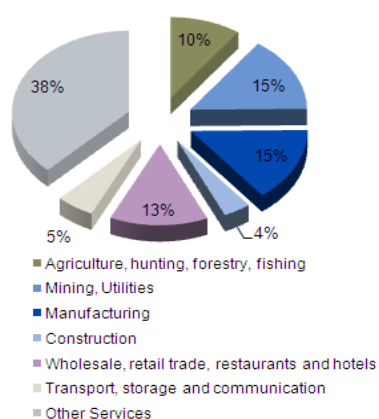


Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2010)

By destination/origin

Exports	Rank	Imports
South Africa	16%	China
United Kingdom	12%	Peru
Angola	11%	Germany
Spain	8%	Bulgaria
United States	8%	United States

By product

Exports	Rank	Imports
Fish, crustaceans, molluscs and preparations thereof	15%	Metalliferous ores and metal scrap
Non metallic mineral manufactures, n.e.s.	14%	Inorganic chemicals
Non-ferrous metals	14%	Road vehicles

Economic Forecast

	Average 2000-08	2009	2010	2011	2012	2013f	2014f
GDP growth (% change)	5.0	-0.7	6.6	3.6	4.5	4.2	4.1
Inflation (% , end-year)	7.3	7.0	3.1	7.2	6.2	4.9	7.9
Fiscal balance (% of GDP)	0.0	-0.1	-4.6	-10.5	-4.9	-4.5	-4.0
Public debt (% of GDP)	22.6	16.0	15.7	23.9	26.9	26.3	27.1
Current account (% of GDP)	4.4	-4.4	-2.1	-4.6	-4.6	-4.5	-2.1
External debt (% of GDP)	20.2	19.8	20.0	23.0	23.2	23.5	23.7

Sources: IHS Global Insight, National sources, Euler Hermes

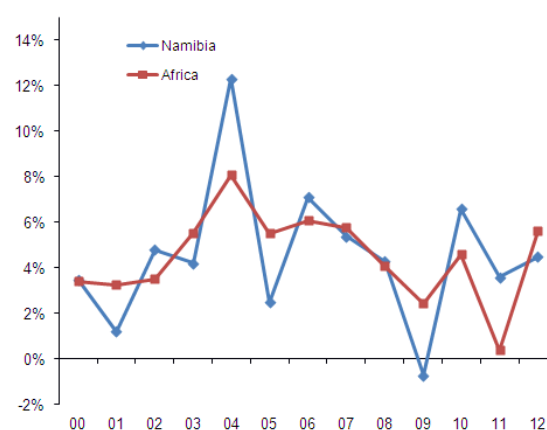
Economic Overview

Following relatively robust annual average real GDP growth of +5% in 2000-08, the economy slipped into recession in 2009 (-0.7%) in the wake of the global financial crisis. A strong rebound in 2010 (+6.6%) has been followed by steady annual average growth of around +4%. EH expects GDP to increase by +4.2% in 2013 and +4.1% in 2014, largely driven by implementation of the government's Targeted Intervention Program for Employment and Economic Growth (TIPEEG), which emphasises job creation by the state and government spending on roads, water supply and port developments. Accordingly, the construction sector should register strong growth in 2013-14.

Inflationary pressures are likely to remain high, partly reflecting weaknesses in the South African economy. The NAD is pegged to the ZAR and weakness in the latter results from mounting concerns over the macro-economic fundamentals and build-up to elections in 2014 in South Africa.

The government's TIPEEG programme involves fiscal expansion and the budget deficit, which averaged an annual -0.8% of GDP in 2000-08, will remain over -4% in 2013-14. Public debt, at around 25% of GDP is sustainable in the short term but reliance on revenues from SACU (see below) to support budget deficits suggest that, in the absence of fiscal discipline, debt levels will become challenging in the medium term.

GDP growth (%)



Sources: IHS Global Insight, Euler Hermes

Economic Overview (continued)

Principal exports are diamonds and gold. As with most aspects of the economy, developments in the external sector are closely associated with links between Namibia and South Africa. The latter is Namibia's largest export market and revenue allocations from the Southern African Customs Union (SACU) account for a large share of government income. In 2012, SACU receipts were NAD12.1 billion, equivalent to almost 12% of GDP.

In the period 2000-08, the current account registered annual average surpluses of 4.4% of GDP but deficits have been recorded since then. The deficit in 2012 was -4.6% of GDP, unchanged from the preceding year and a similar outcome is expected in 2013. Despite relatively strong SACU receipts, foreign exchange reserves at the end of 2012 were USD1.8 billion, equivalent to an import cover of 3.2 months, reflecting strong import growth. In 2013-14, import cover is unlikely to increase substantially but external liquidity is not forecast to cause problems, particularly given membership of the monetary and customs unions.

External debt is relatively low (debt/GDP and debt/export earnings were 23% and 56% in 2012, respectively) and debt servicing (less than 4% of export earnings) is comfortable.

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