

Commodity driven economy faces multiple crises



General Information

GDP	USD 10.267bn (World ranking 131, World Bank 2016)
Population	2.48 million (World ranking 141, World Bank 2016)
Form of state	Republic
Head of government	Hage GEINGOB
Next elections	2019, presidential and legislative



Strengths

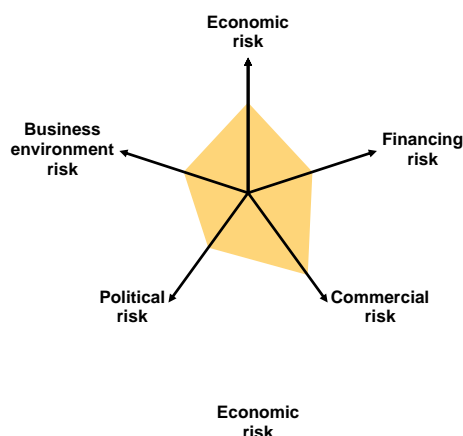
- Stable democracy since independence in 1990, with successful transitions following elections.
- Close association with South Africa through customs and monetary unions.
- Natural resource base includes substantial diamond deposits (including offshore).
- Manageable external debt ratios.

Weaknesses

- Land reform program is a policy priority and there are lingering concerns that it may yet spiral into a Zimbabwe-style land-grab.
- Strong links with South Africa engender dependence.
- Limited economic diversification - overinvestment in mining took its toll.
- Small population with a high proportion of HIV/AIDS infections and limited arable land area.
- Poverty and unemployment remain high.
- Volatile fiscal and current accounts.

Country Rating

B2



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Botswana	17% 1 57%	South Africa
South Africa	15% 2 10%	Botswana
Switzerland	11% 3 4%	China
Belgium	6% 4 3%	Zambia
Zambia	6% 5 3%	United States

By product (% of total)

Exports	Rank	Imports
Non metallic mineral manufactures, n.e.s.	23% 1 12%	Petroleum, petroleum products and related materials
Non-ferrous metals	15% 2 10%	Non metallic mineral manufactures, n.e.s.
Fish, crustaceans, molluscs and preparations thereof	14% 3 9%	Road vehicles
Metalliferous ores and metal scrap	14% 4 6%	Other transport equipment
Gold, non-monetary (excluding gold ores and concentrates)	5% 5 4%	Non-ferrous metals

Source: UNCTAD (2016)

Economic Overview

Small population, big challenges

Namibia is an upper middle income country. It relies on mining (especially diamonds, uranium, zinc, copper, lead and gold), agriculture (cattle and sheep) and fishing. Not only that the population is small (2.48 mn), around 14% of it is affected by HIV. This has a high human, social and economic cost. Despite poverty reduction policies, the country is characterized by a high level of income inequality.

Getting over the crisis

In 2017, Euler Hermes expects +0.5% GDP growth, on the back of the 2016 economic deceleration. This is close to the levels observed in 2009 during the global economic crisis.

While the Namibian economy performed quite well in 2015 thanks to construction in the mining and housing sectors and expansionary fiscal policy, the picture became gloomier in the following year. A severe drought wreaked havoc on harvests, pushing up cereal prices.

As a result, inflation almost doubled in 2016 compared to 2015, reaching +6.7%. In response to water shortages, the government limited supplies, affecting households and companies in the construction sector and in the industry. Coca Cola for instance had to interrupt its cans and bottles production.

The completion of mine construction projects in 2016 weighed on the economic activity. In 2018, GDP growth should pick up, supported by new mining activity.

Time to address deficits and debt

In 2017, we estimate current account deficit will reach 7% of GDP (half of the 2016 figure). Namibia experienced a double-digit current account deficit starting in 2014 along with a continuous depreciation of its currency which is pegged to the South African rand. As a result, import cover declined to two months, causing a liquidity crisis. A USD750 mn 10 year Eurobond issuance pushed public debt to about 40 % of GDP in 2016. This contributed, along with Namibian dollar appreciation and lower domestic demand, to an increase in import covers to 4 months as well as a smaller current account deficit in 2017. The latter is set to remain stable in 2018.

In 2017, both Fitch and Moody's downgraded Namibia's credit rating to junk. The country will find it harder - and costlier - to borrow money on international debt markets.

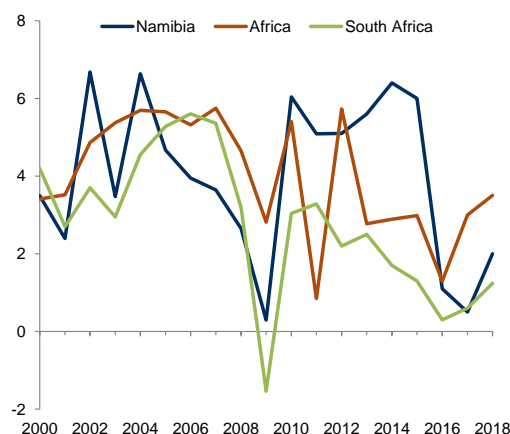
Namibia will have to further diversify its economy and revenue resources. These are, along with climate disasters, sources of vulnerabilities.

Key Economic Forecasts

	2015	2016	2017f	2018f
GDP Growth (% change)	6.0	1.1	0.5	2.0
Inflation (% , yearly average)	3.4	6.7	6.5	5.5
Fiscal Balance (% of GDP)	-8.0	-7.7	-5.5	-7.0
Public Debt (% of GDP)	39.5	40.0	42.5	45.5
Current Account (% of GDP)	-12.6	-14.0	-7.0	-7.0
External Debt (% of GDP)	13.0	17.5	17.0	17.5

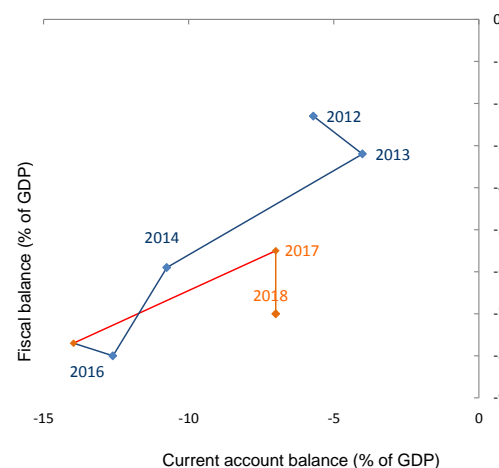
Sources: National statistics, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Current Account and fiscal balance (% of GDP)



Sources: National sources, IHS, Euler Hermes

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