

Namibia grows resiliently despite external weaknesses

General Information



GDP	USD11,5bn (World Ranking 127, World Bank 2015)
Population	2.5 Million (World Ranking 141, World Bank 2015)
Form of state	Republic
Head of government	Hage GEINGOB
Next elections	2019, presidential elections



Strengths

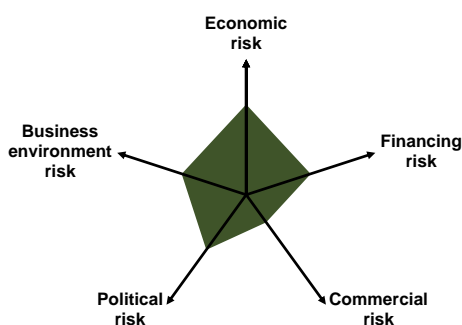
- Stable democracy since independence in 1990, with successful transitions following elections
- Close association with South Africa through customs and monetary unions
- Natural resource base includes substantial diamonds (including offshore)
- Manageable external debt ratios

Weaknesses

- Land reform programme is a policy priority and there are lingering concerns that it may yet develop into a land-grab
- Strong links with South Africa engender dependence on the economic performance in that country
- 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
- Volatile fiscal and current accounts
- Foreign reserves provide limited import cover

Country Rating

B1



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
South Africa	25% 1	55% South Africa
Botswana	20% 2	5% China
Angola	7% 3	5% Marshall Islands
United States	5% 4	4% Botswana
China	4% 5	4% United States

By product (% of total)

Exports	Rank	Imports
Other transport equipment	14% 1	13% Other transport equipment
Fish, crustaceans, molluscs and preparations thereof	14% 2	10% Petroleum, petroleum products and related materials
Non metallic mineral manufactures, n.e.s.	14% 3	9% Road vehicles
Metalliferous ores and metal scrap	12% 4	5% Specialised machinery

Source: UNCTAD (2014)

Economic Overview

Growth outlook in Namibia

Namibia has weathered a period of slow global and African growth. Growth should reach 2% in 2016, a notch above the African average of 1.4% (see chart 1), but is set to pick up to 4.0% in 2017 and 5.0% in 2018. Namibia has been hit by economic stagnation in South Africa its main trading partner, and by the global commodity price slump. Yet investment in infrastructure has increased the productivity of offshore diamond extraction (for which Namibia is a world leader), and the uranium, gold, and copper sectors. The result is a more resilient economy. As the investments reap returns, it will allow the country to absorb some of the terms of trade deterioration caused by low for long commodity prices, and return on a path of higher growth. A thriving mining sector is also crucial for government finances, as it accounts for 50% of export revenues.

Current Account, Debt, and Liquidity

Namibia's dependence on South Africa is amplified by the South African Customs Union (SACU). The arrangement allocates a quota of customs revenues to each member state, making government revenues sensitive to South African performance. Over 40% of Namibia's government revenue is generated by SACU. Thus the country's external liquidity cannot fully recover unless South Africa exits economic stagnation (see chart 2).

Low international oil prices provide some relief to external accounts but persistently weak gold and metal prices limit potential gains. The government will have to leverage the increased mining capacity to build up further foreign exchange reserves as the import cover currently stands at a mere 3.5 months. However, despite recurrent twin deficits since 2008, external and public debt levels have remained below the regional average. If managed responsibly, these are unlikely to cause systemic problems.

Structural Bottlenecks remain

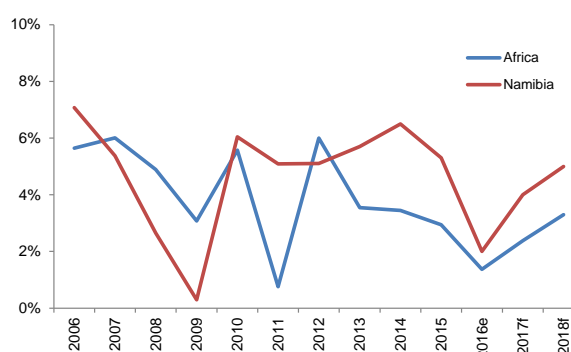
Political stability and sound macroeconomic management have allowed Namibia to attract more Foreign Direct Investment than the African average. Namibia has also undertaken some vital reforms to improve its business environment. A reduction in administrative hurdles to register new firms and improved access to credit for small and medium enterprises exemplify the reforms. However, the mining sector is capital intensive and does not provide formal job opportunities for most unskilled workers. More than half of the labor force is still employed in subsistence agriculture. To create jobs and increase productivity, the Namibia National Development Plan will have to close the skills gap through education and vocational training as well as address labor market rigidities.

Key economic forecasts

	2015	2016e	2017f	2018f
GDP growth (% change)	5.3	2.0	4.0	5.0
Inflation (% end-year)	3.4	6.6	6.0	6.0
Fiscal balance (% of GDP)	-8.0	-9.0	-8.2	-8.0
Public debt (% of GDP)	33.7	42.0	57.0	52.0
Current account (% of GDP)	-13.0	-12.5	-7.0	-5.0
External debt (% of GDP)	36.3	33.5	30.0	32.0

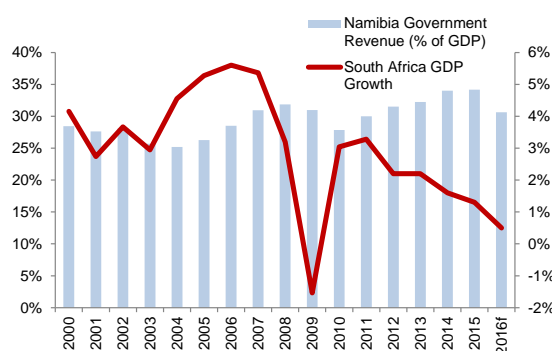
Sources: National statistics, IHS, Euler Hermes

GDP Growth vs. Africa



Sources: National statistics, IHS, Euler Hermes

Foreign exchange reserves and import cover



Sources: National statistics, IHS, Euler Hermes

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Contact Euler Hermes Economic Research Team

research@eulerhermes.com

Last review: 2016-12-08
Country Risk Analyst:

Stéphane Colliac
stephane.colliac@eulerhermes.com