



Namibia economic outlook

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24 February 2021

Economic outlook

Key takeaways:

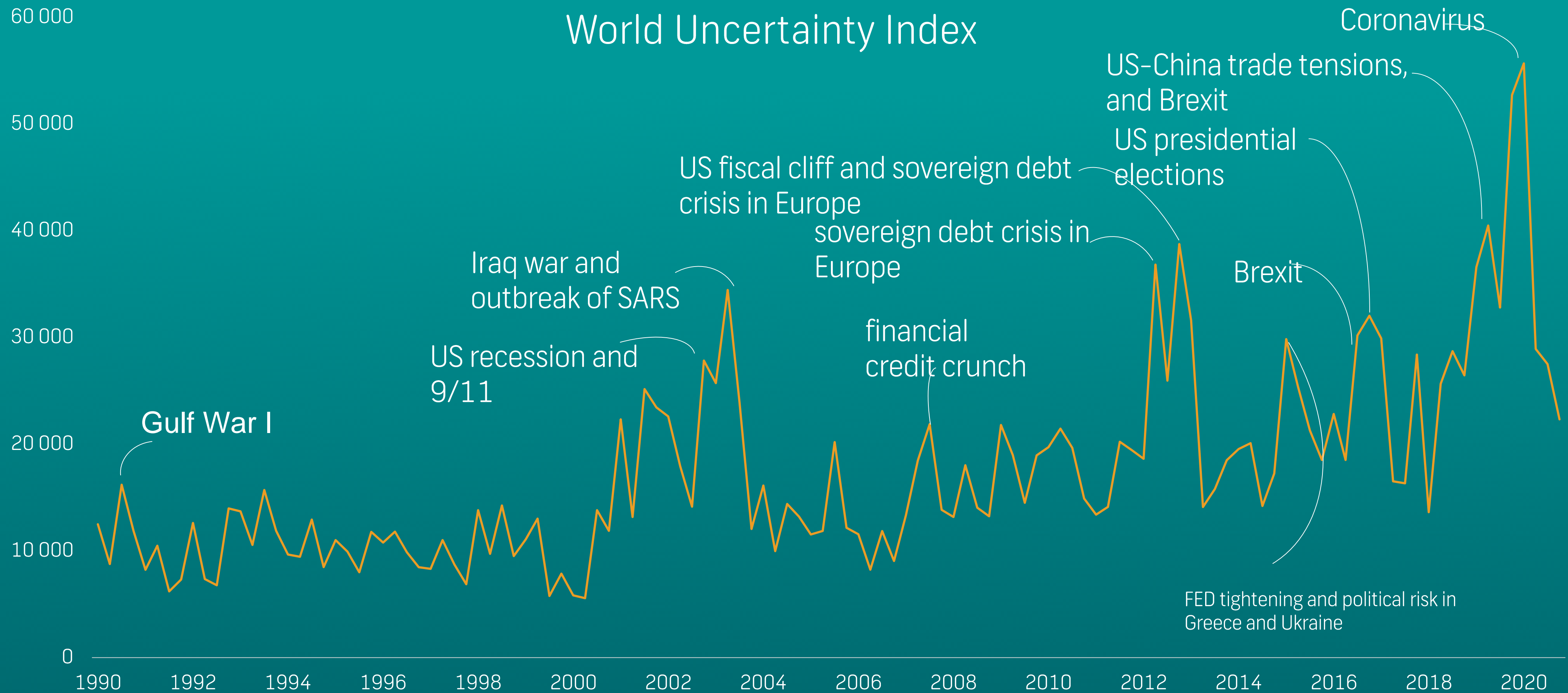
- 2021 will be a challenging year for both the global and domestic economy
- The fiscal situation will weigh on growth prospects
- Deep structural reforms will be needed to reignite growth



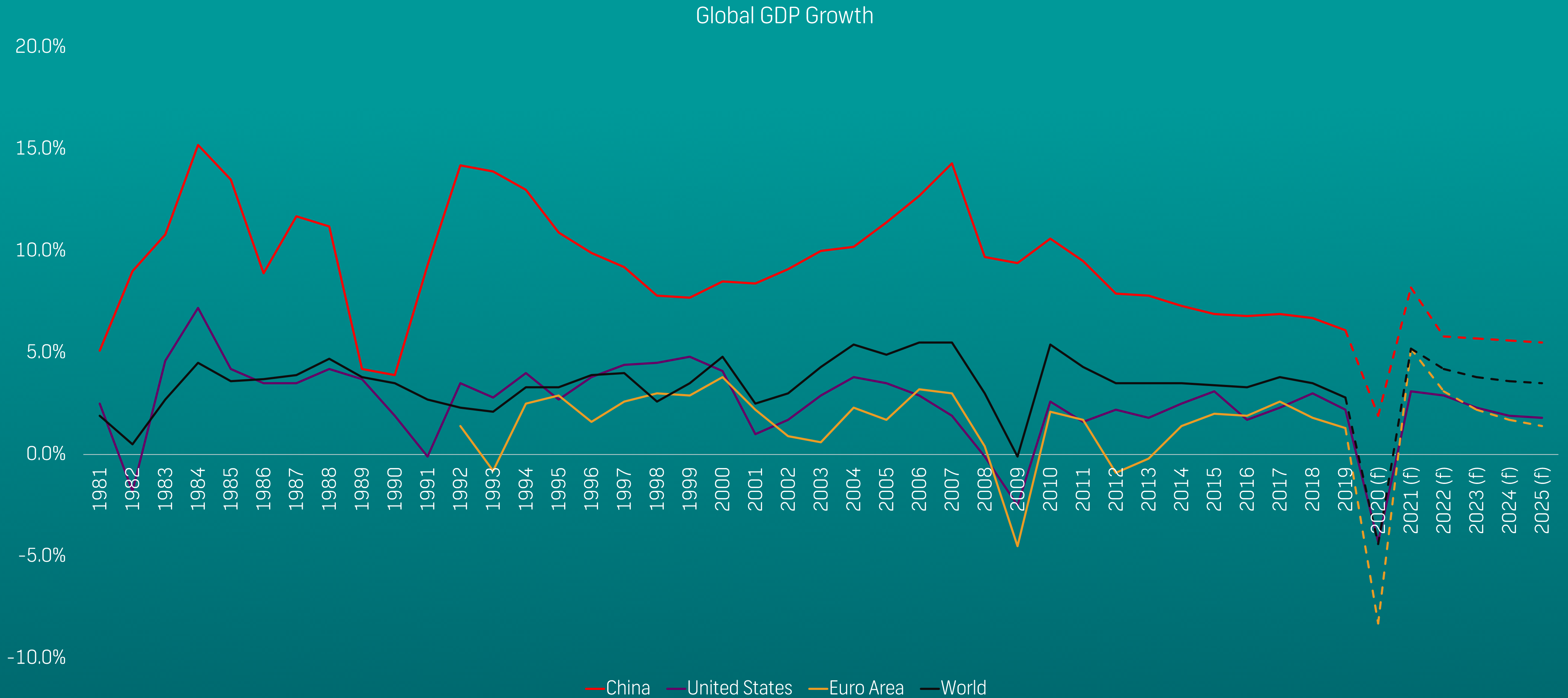
Global backdrop



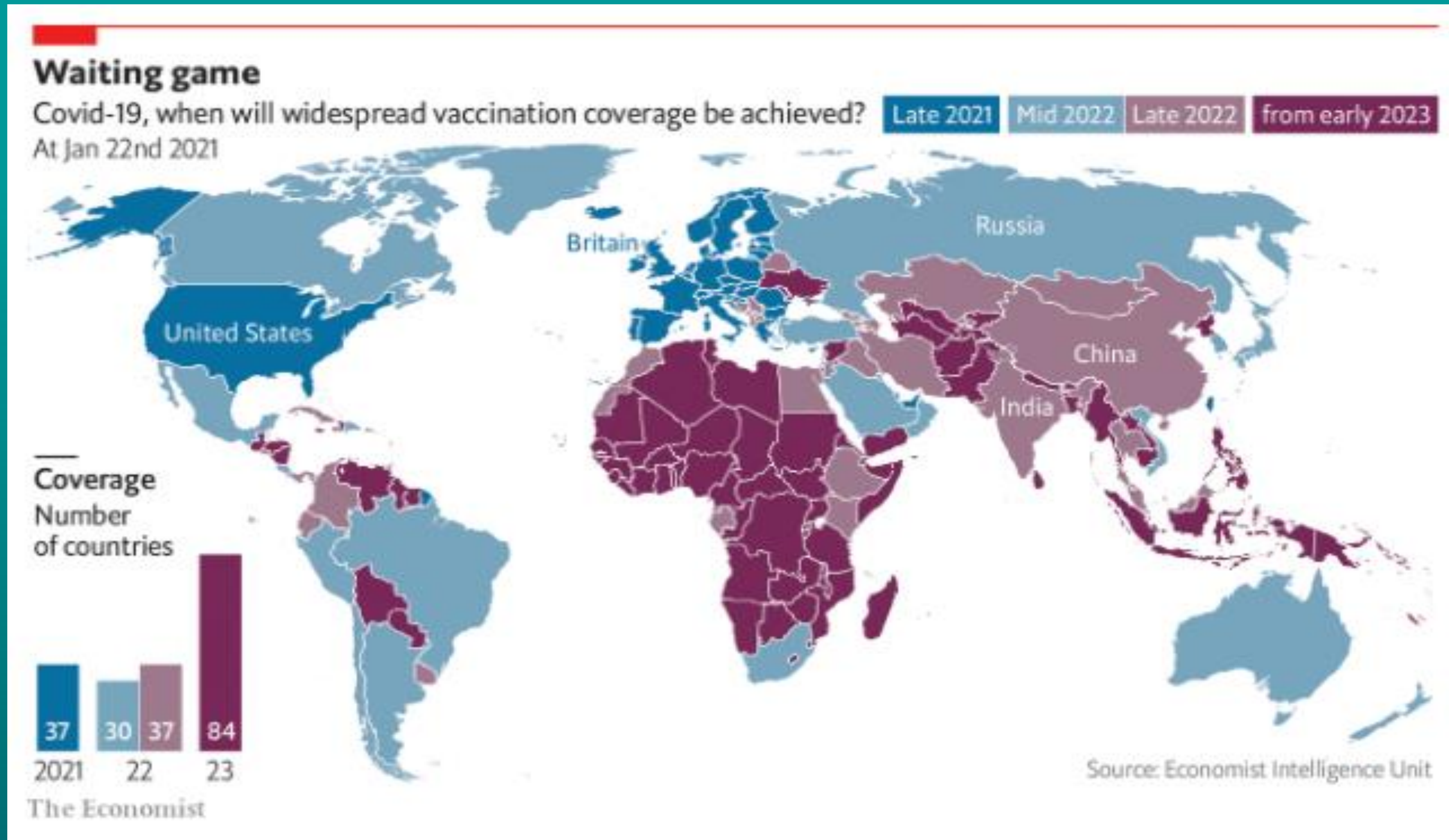
The pandemic created high levels of uncertainty



The global economic downturn has been severe

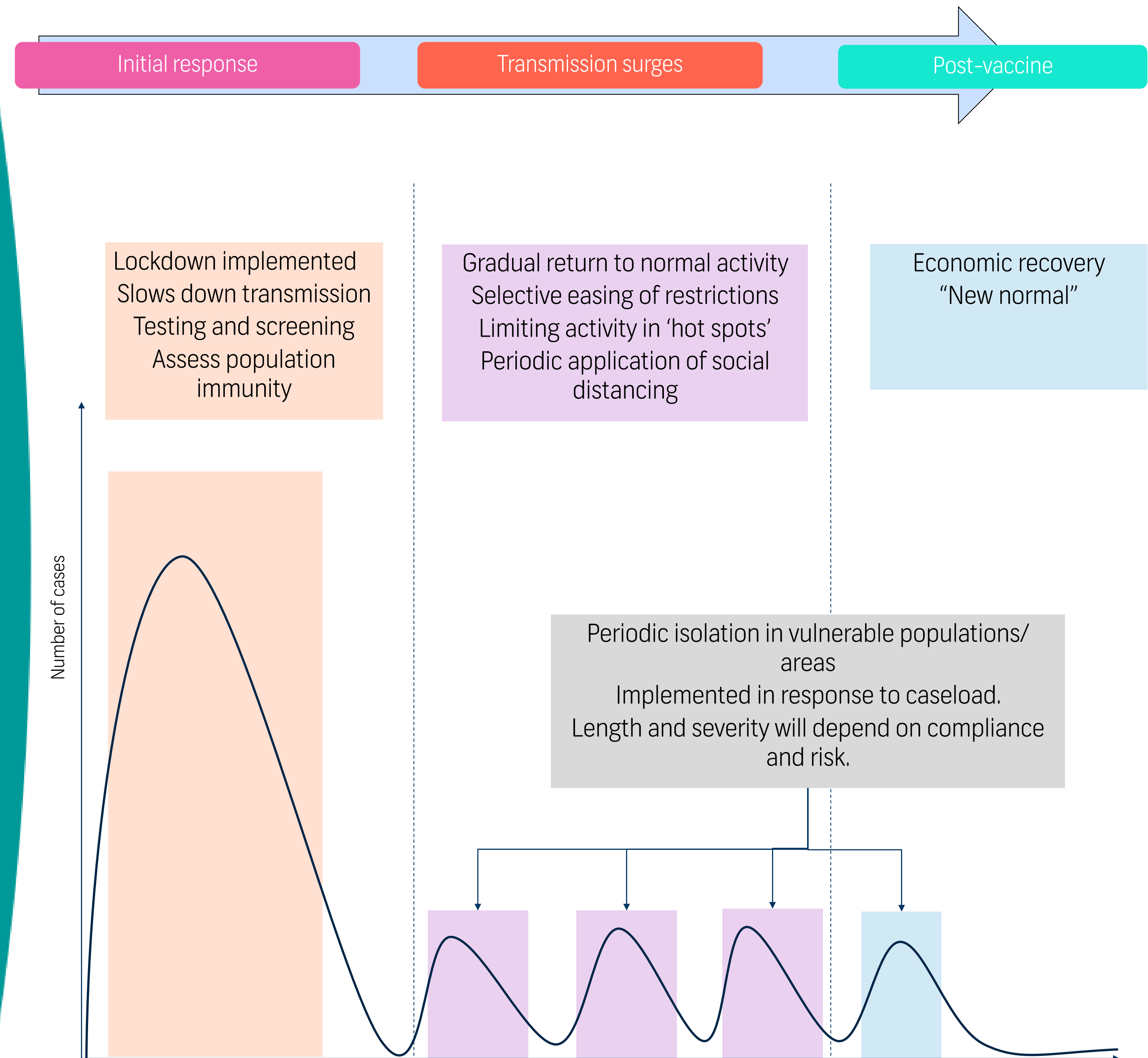


Expected Covid-19 vaccination coverage



Covid-19 vaccinations are crucial for economic recovery

- In order to have a sustainable recovery, we need a widespread roll out of the vaccine
- Until then we will have to contend with further waves and containment measures
- For Namibia, vaccinations will likely only begin in the third quarter, starting with vulnerable groups



Benefits of vaccines

Individual

- Lower mortality
- Lower severity of illness

Public health

- Lower transmission of disease
- Lower likelihood of mutations
- Protects healthcare system

Education

- Schools and universities can reopen
- Education is crucial for social mobility

Economics

- Individuals can return to work safely
- Economic activity rebounds
- Guards against falling further into poverty



Looking ahead: global themes

- Vaccine roll-outs
- Further fiscal and monetary support
- Commodity rebound
- Elevated debt levels
- Higher oil prices
- Reflation
- Higher unemployment rates
- Higher levels of inequality
- Anti-globalisation sentiment

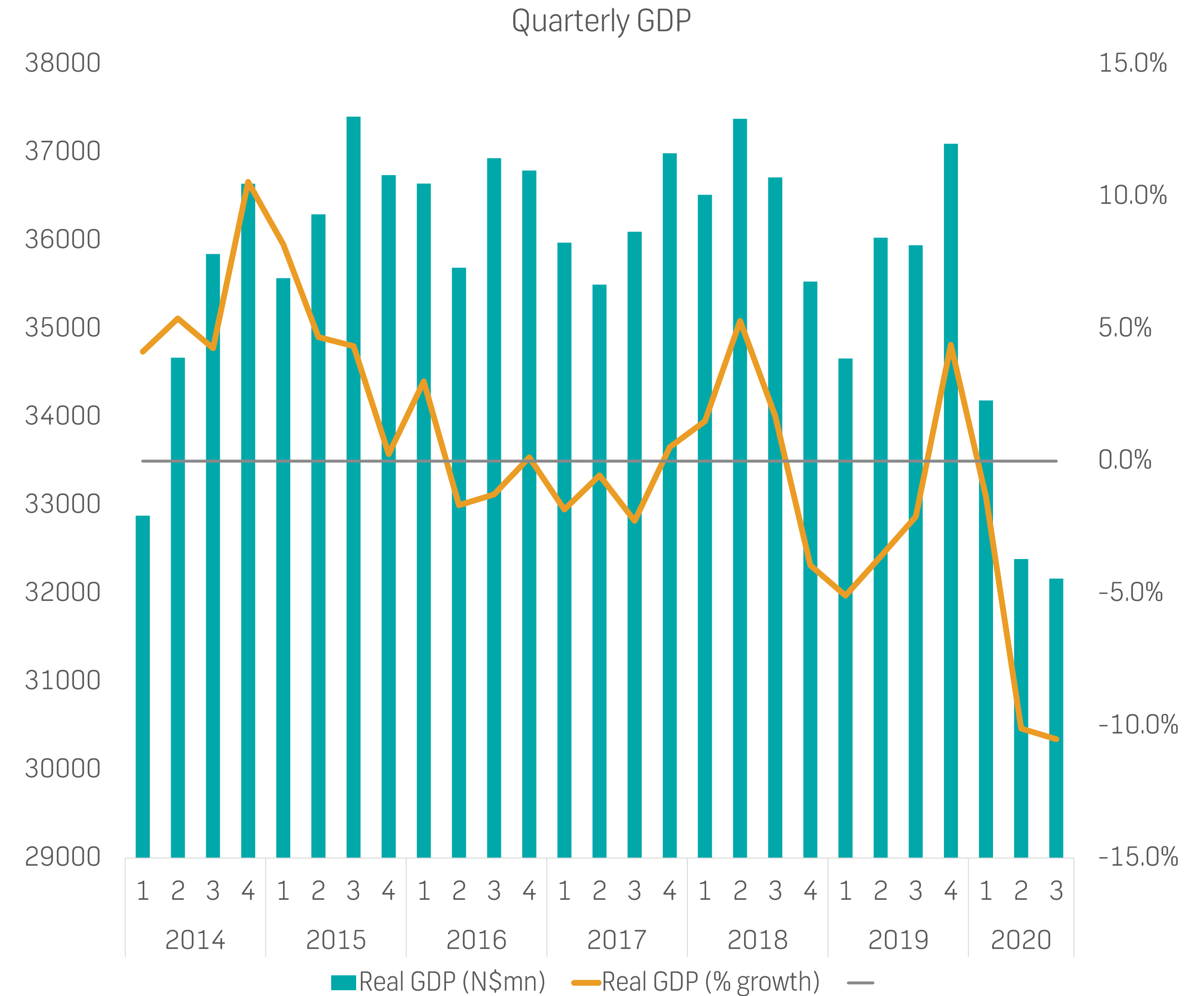


Domestic economy



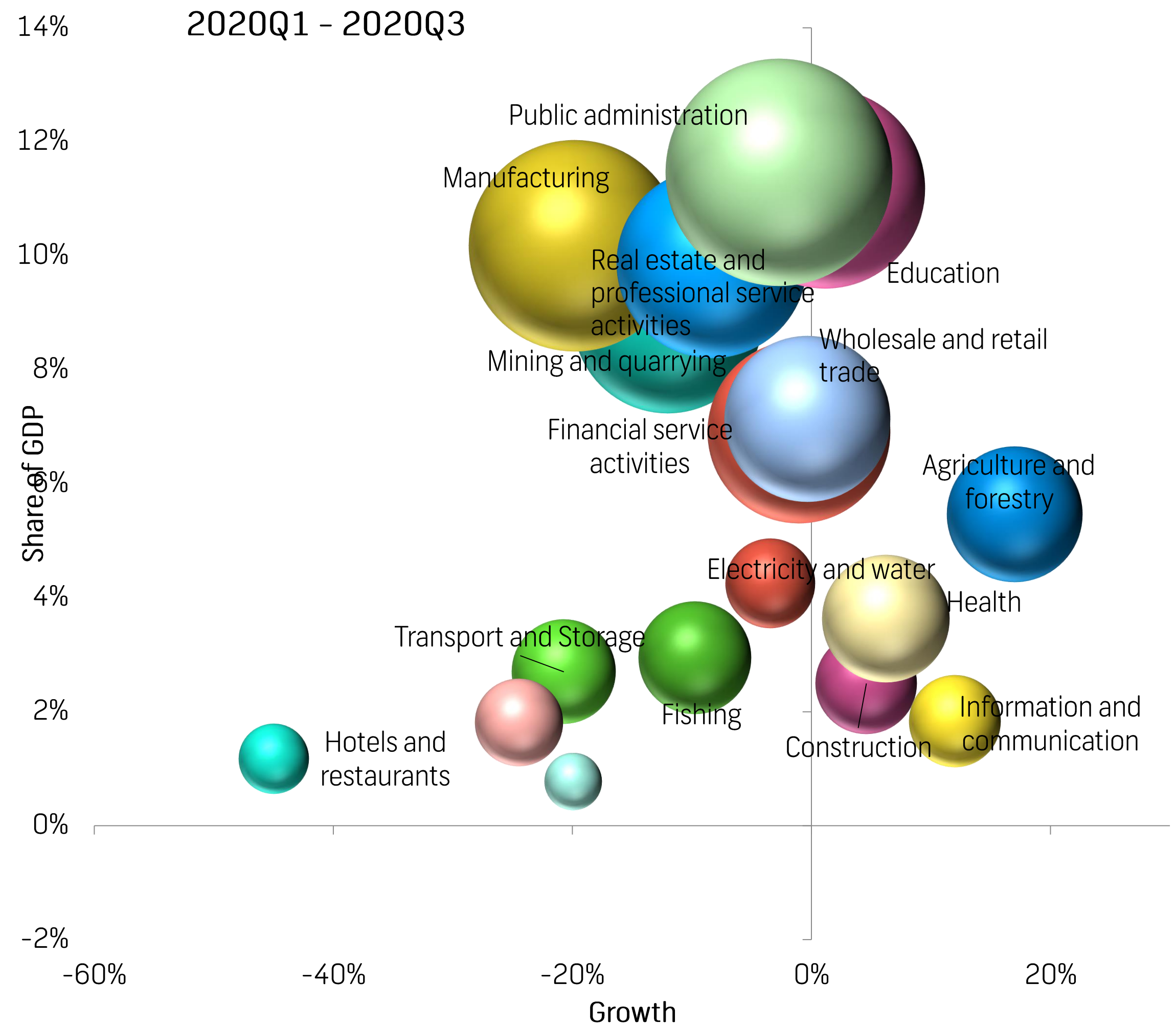
Collapse in GDP in 2020

- Namibia's lockdown was extremely strict – whole economic sectors were shut down
- Namibia's vulnerability was further exacerbated by the global shock
- Before the Covid-19 pandemic we already started to see difficulties within the economy
- Challenges were not entirely external – domestic constraints played a role



Most sectors recorded contractions during

- All but 4 sectors recorded contractions
- Many industries were already facing pressures from pre-Covid recessionary conditions
- The hotels and restaurants sector was the hardest hit



Pre-Covid issues

 Policy uncertainty

 Drought

 Fiscal consolidation

 Construction slowdown

 High unemployment

 Commodity slowdown

 Loss of Angolan business

 Reduced FDI

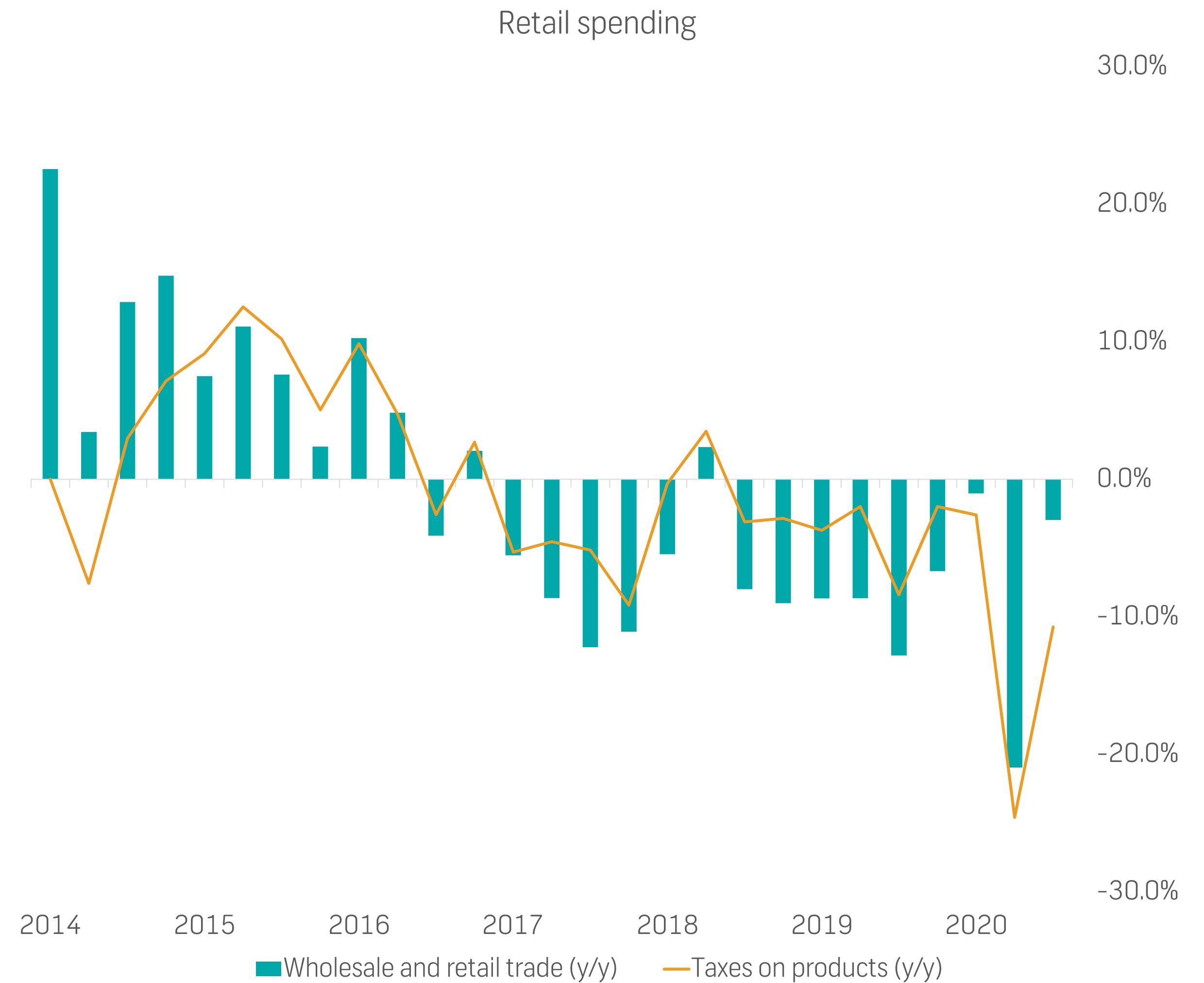
 Weakness in trading partners



Weak consumer spending: retail spending

Consumer spending constrained by

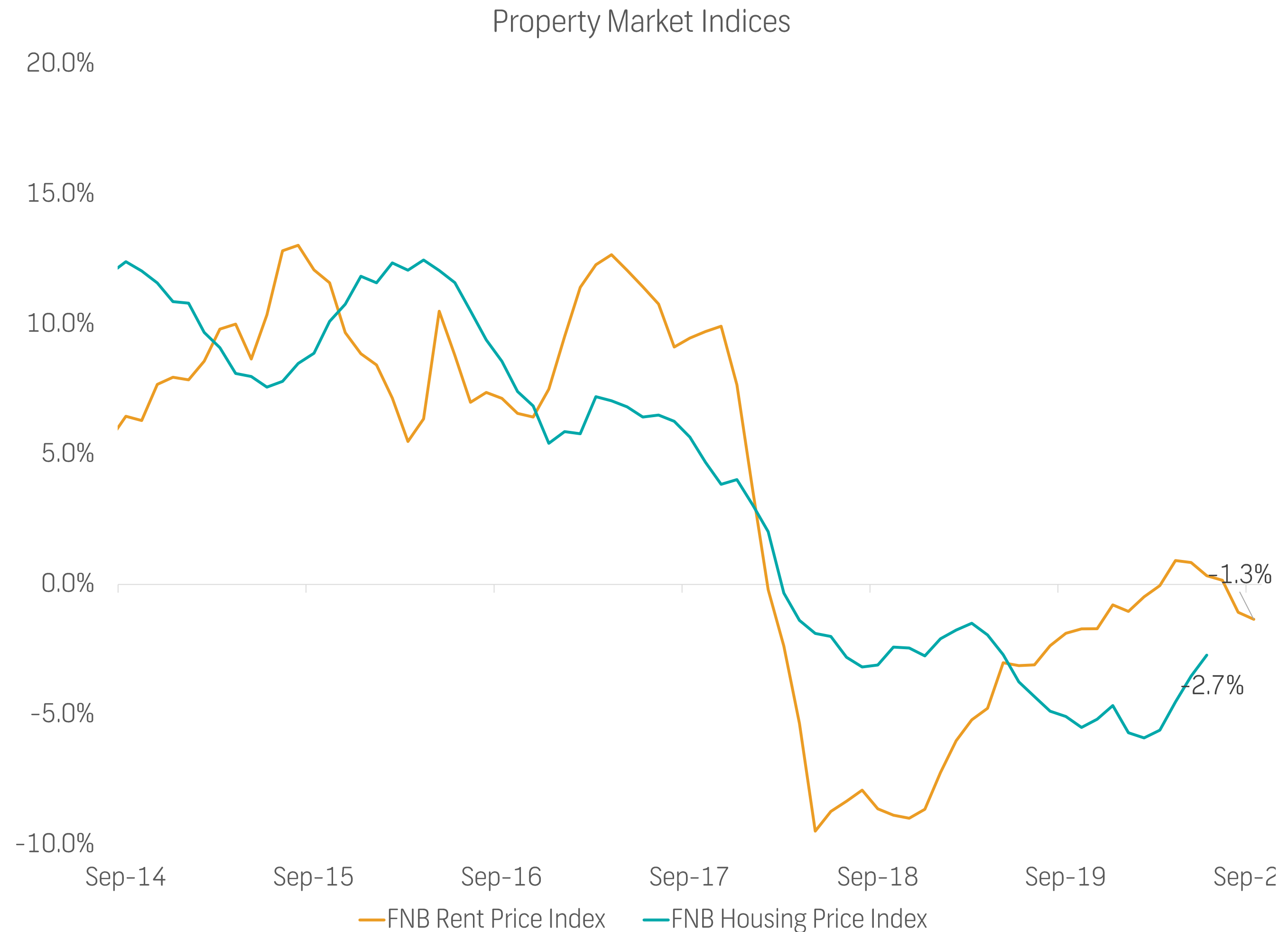
- Restrictions on movement
- Precautionary consumer behavior
- Reduced income from job losses and wage cuts
- Low consumer confidence
- Slow credit uptake
- High debt-to-disposable income levels



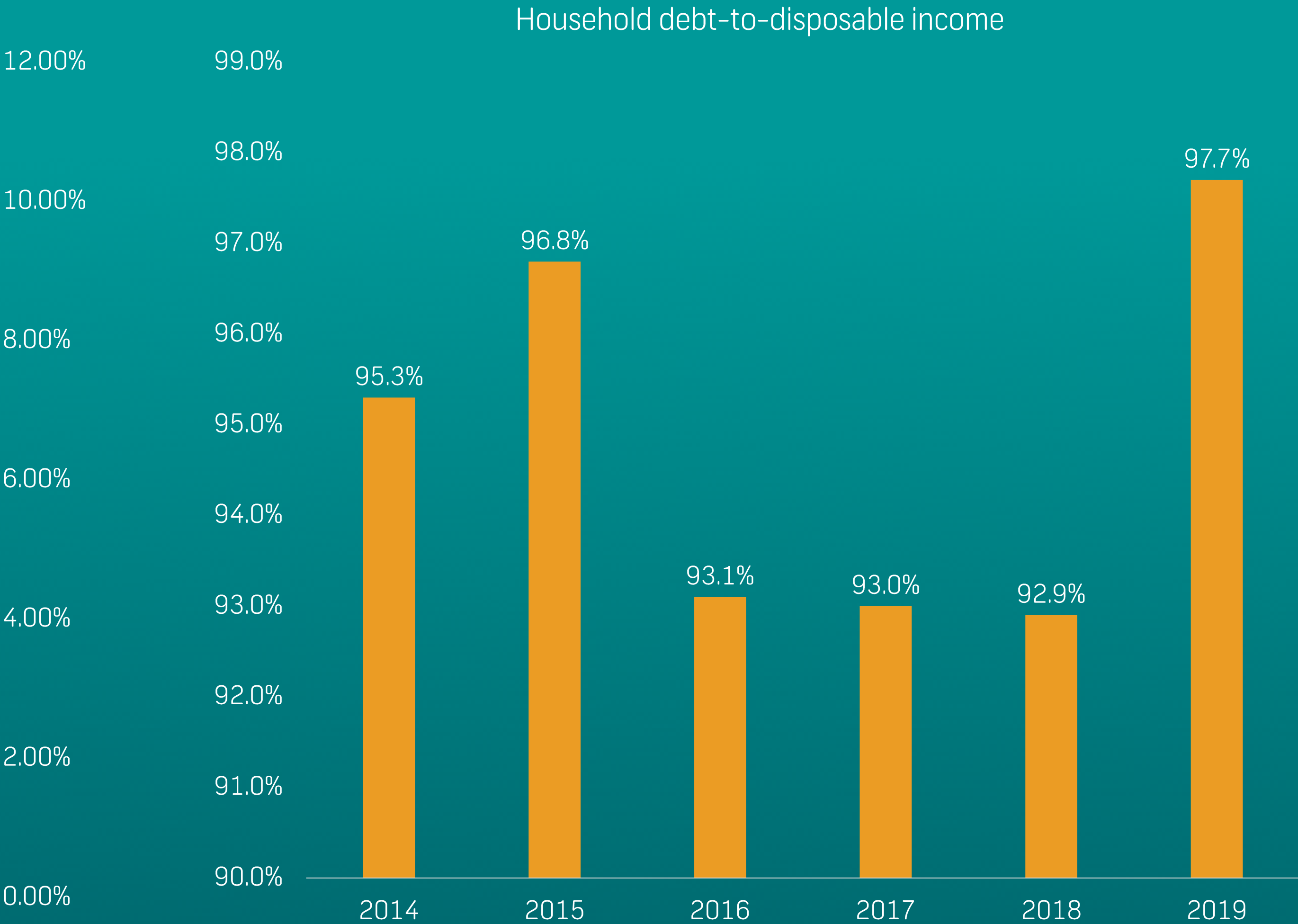
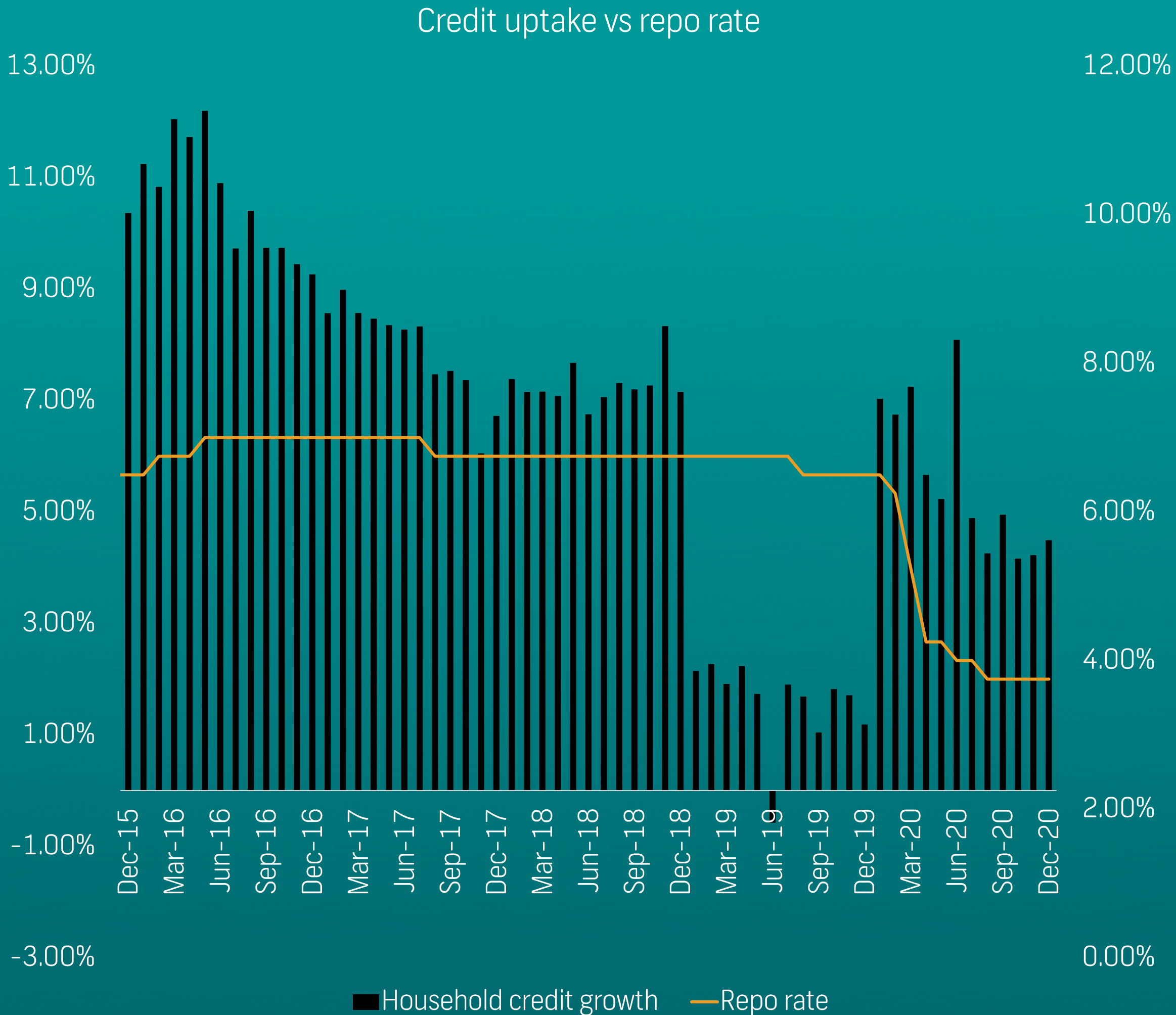
Weak consumer spending: property market

Consumer spending constrained by

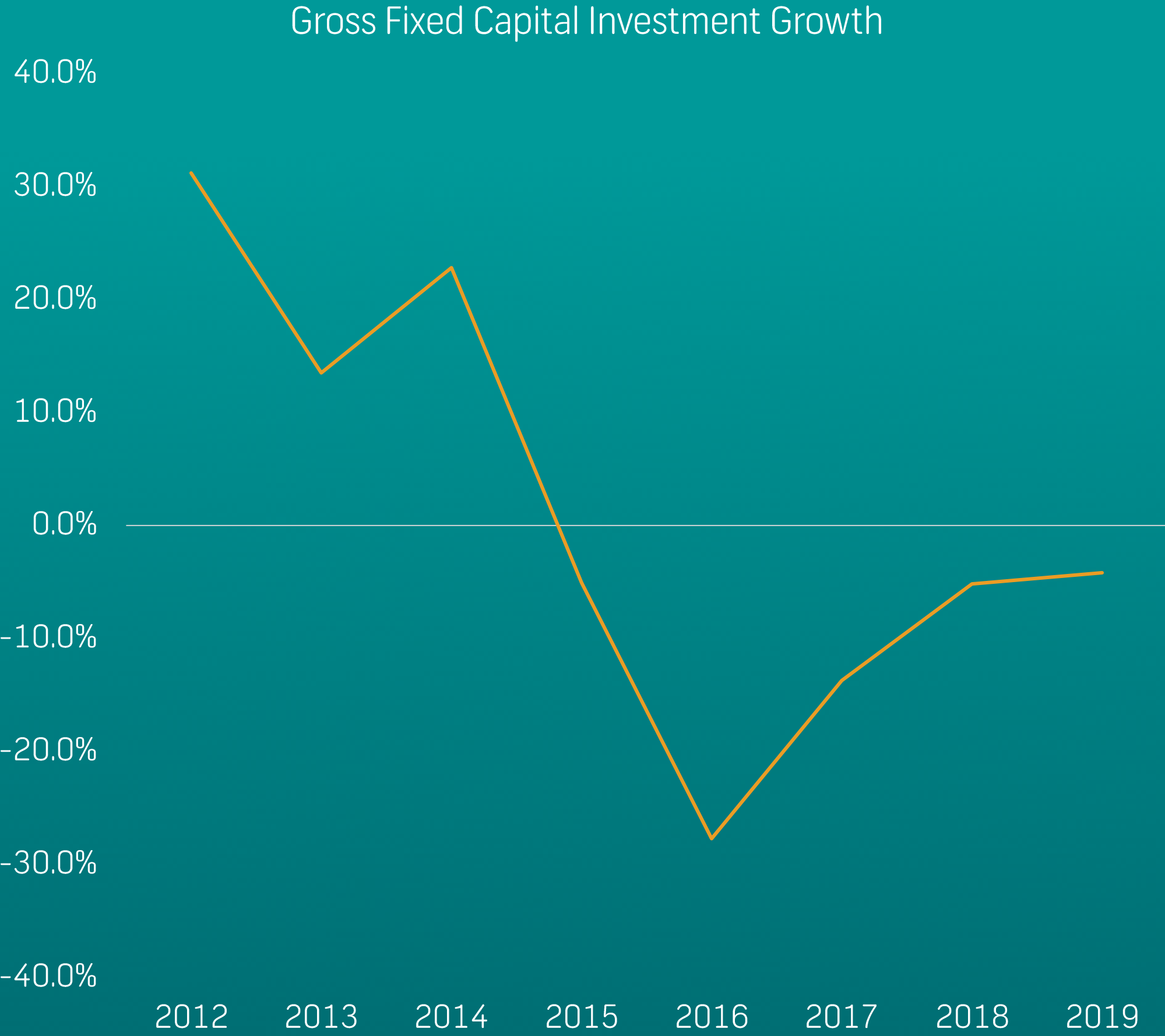
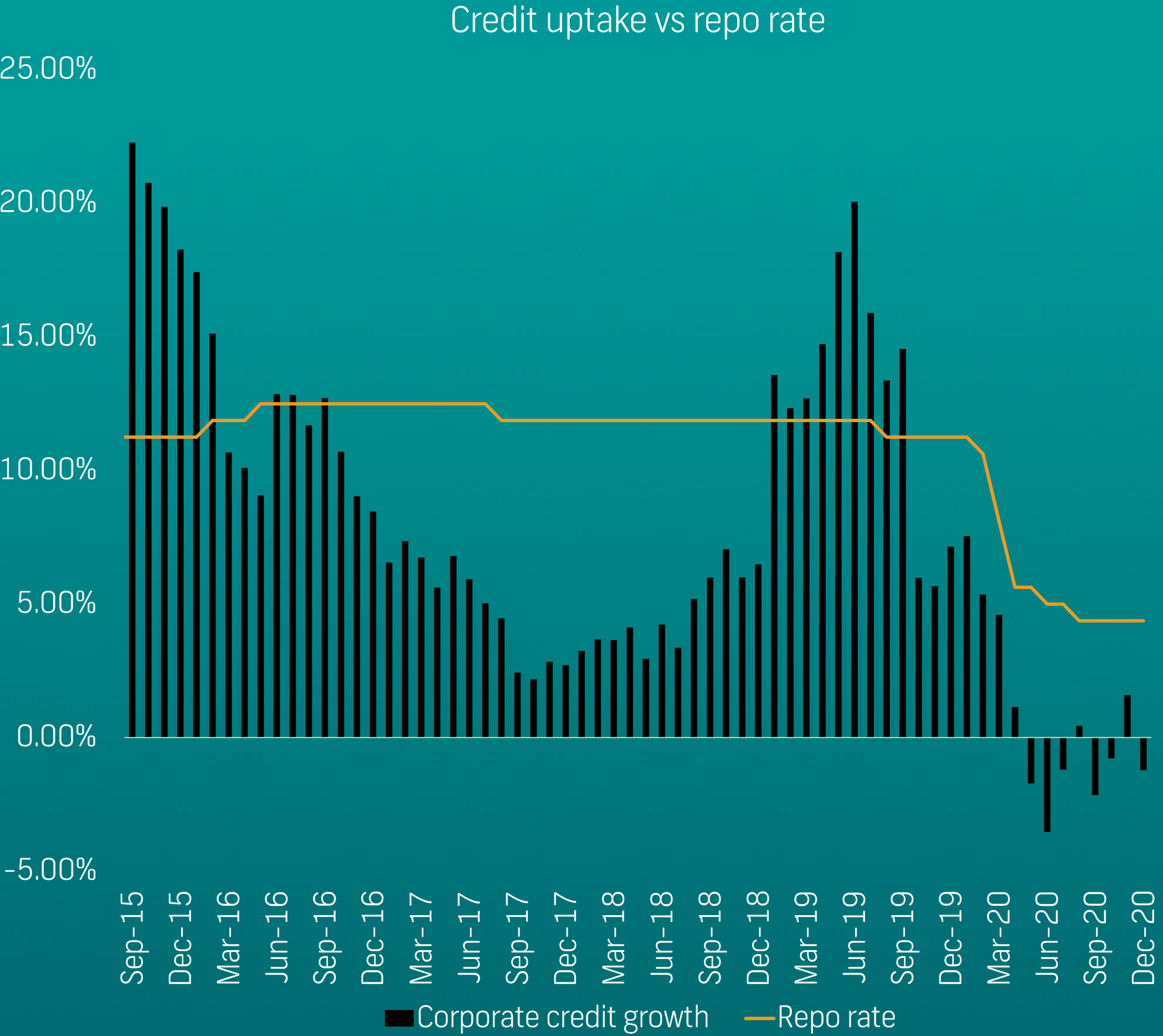
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Consumer confidence low

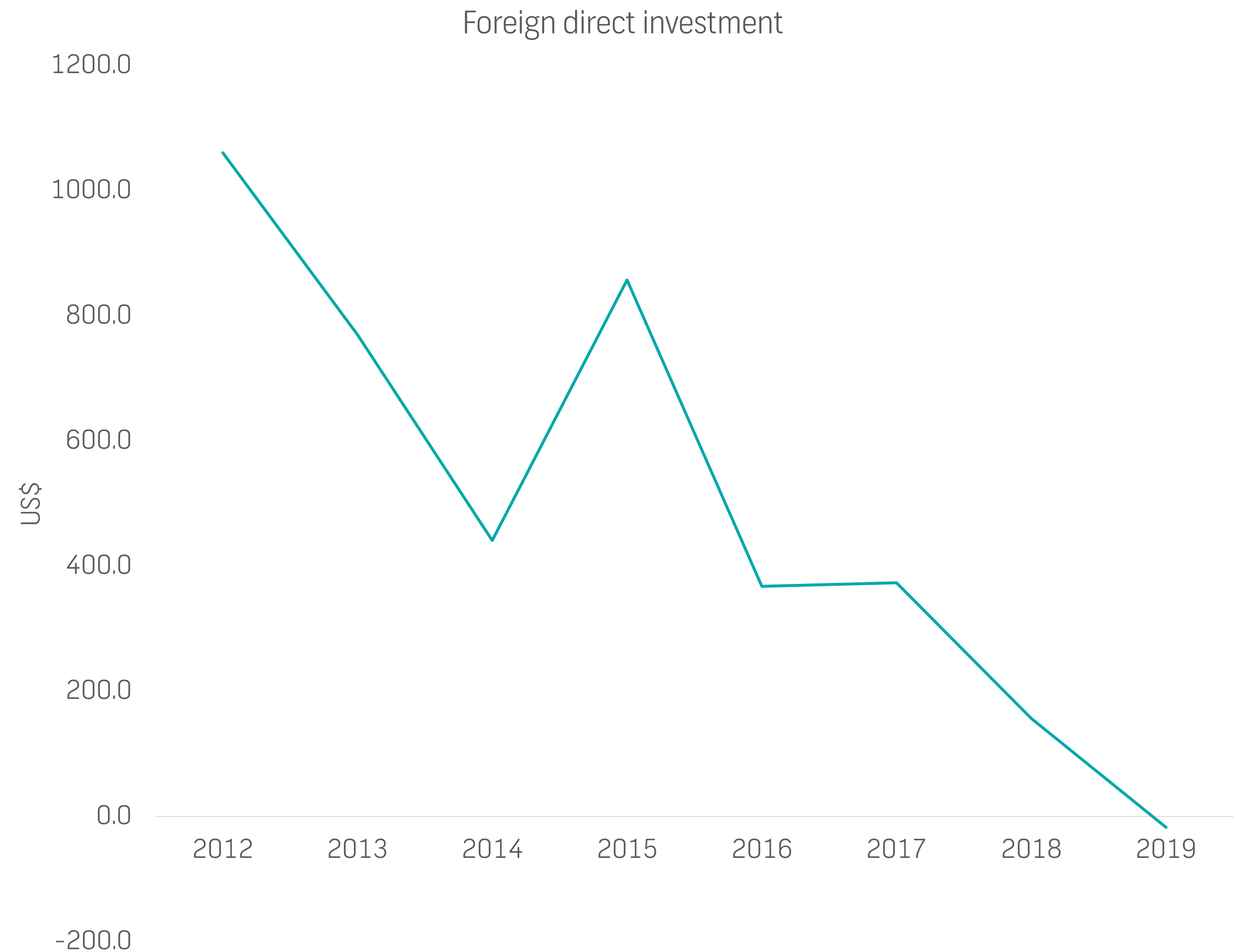


Business/Investor confidence low



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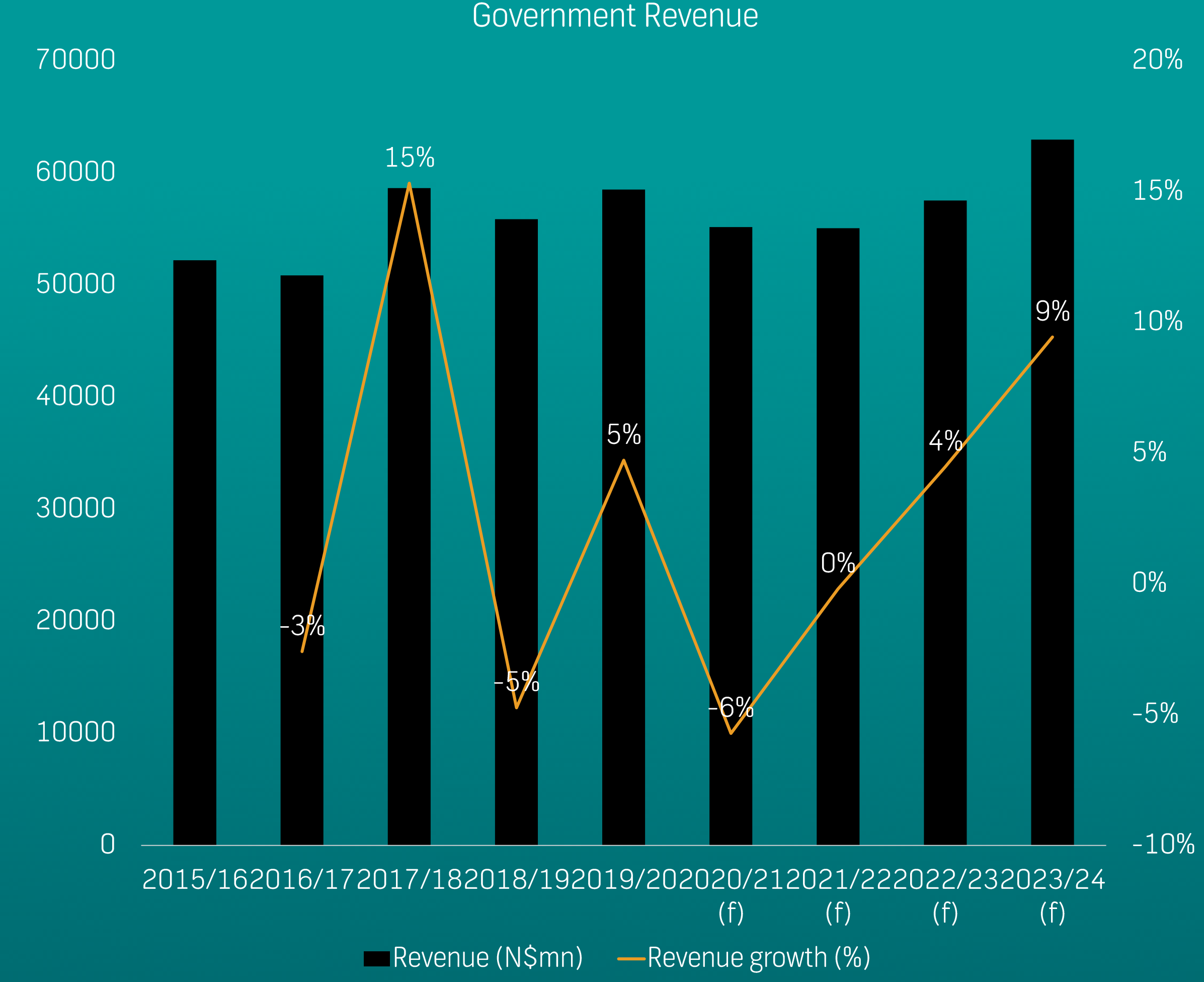
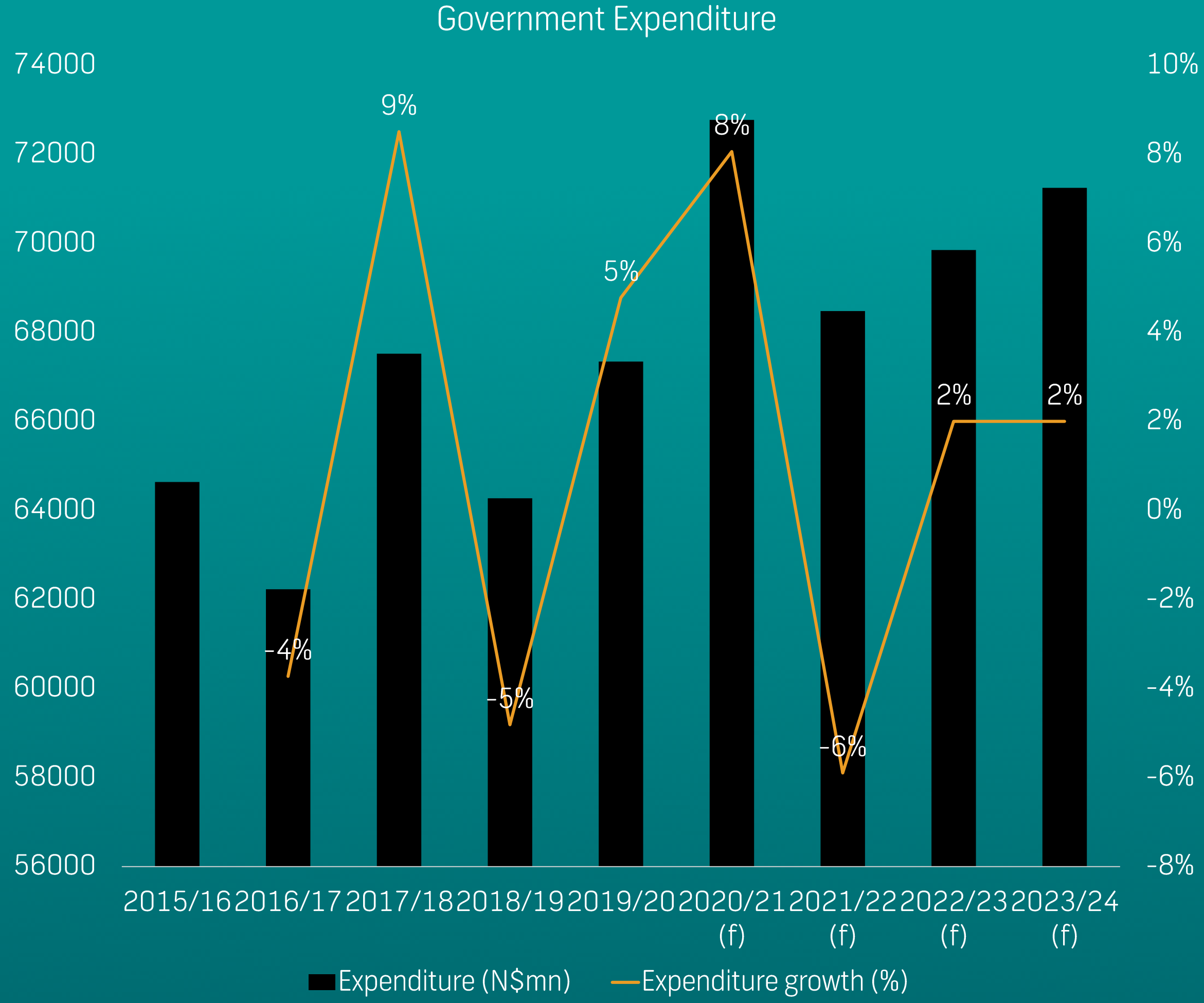
- Investment from external sources has also been declining
- Foreign firms/investors choose to invest in other jurisdictions
- Low business/investor confidence results in reduced hiring rates and a shrinking tax base, thus reinforcing weak economic conditions



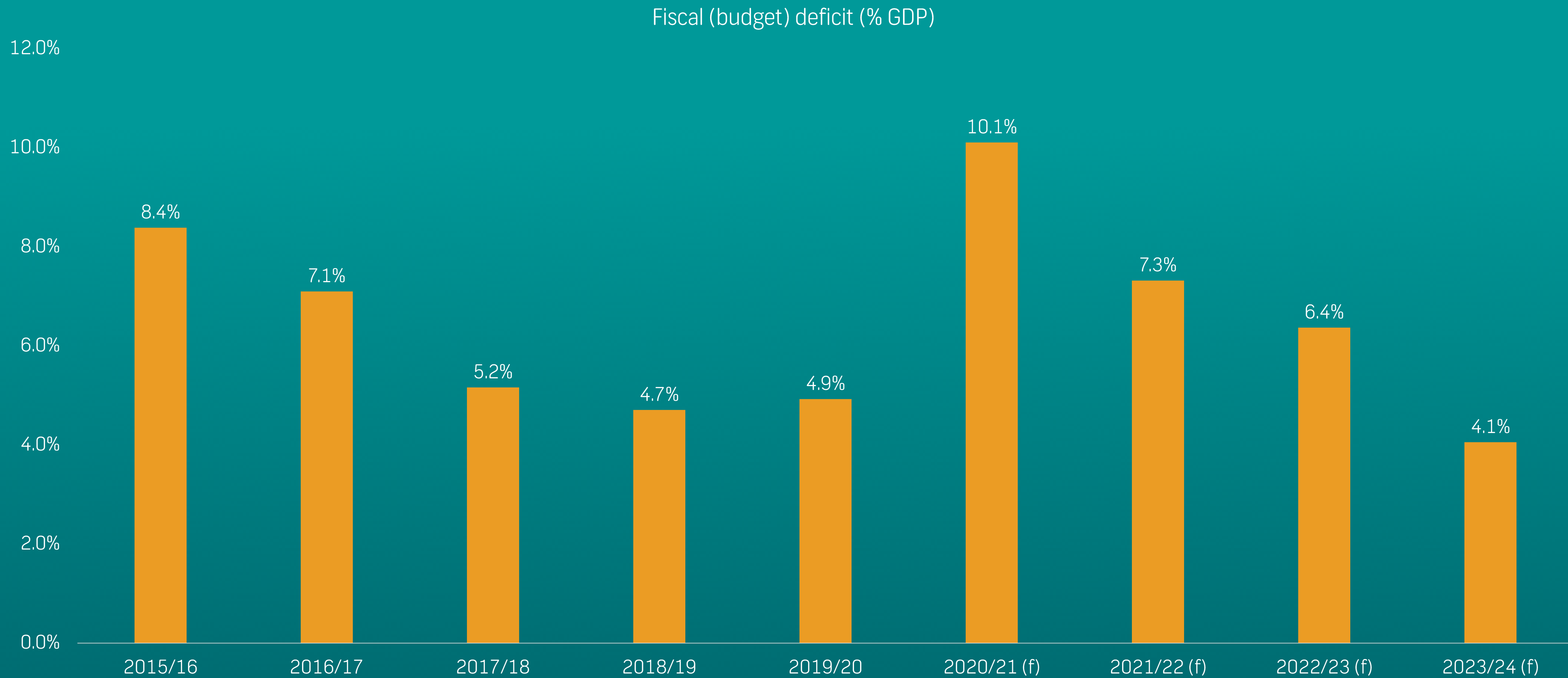
What now?



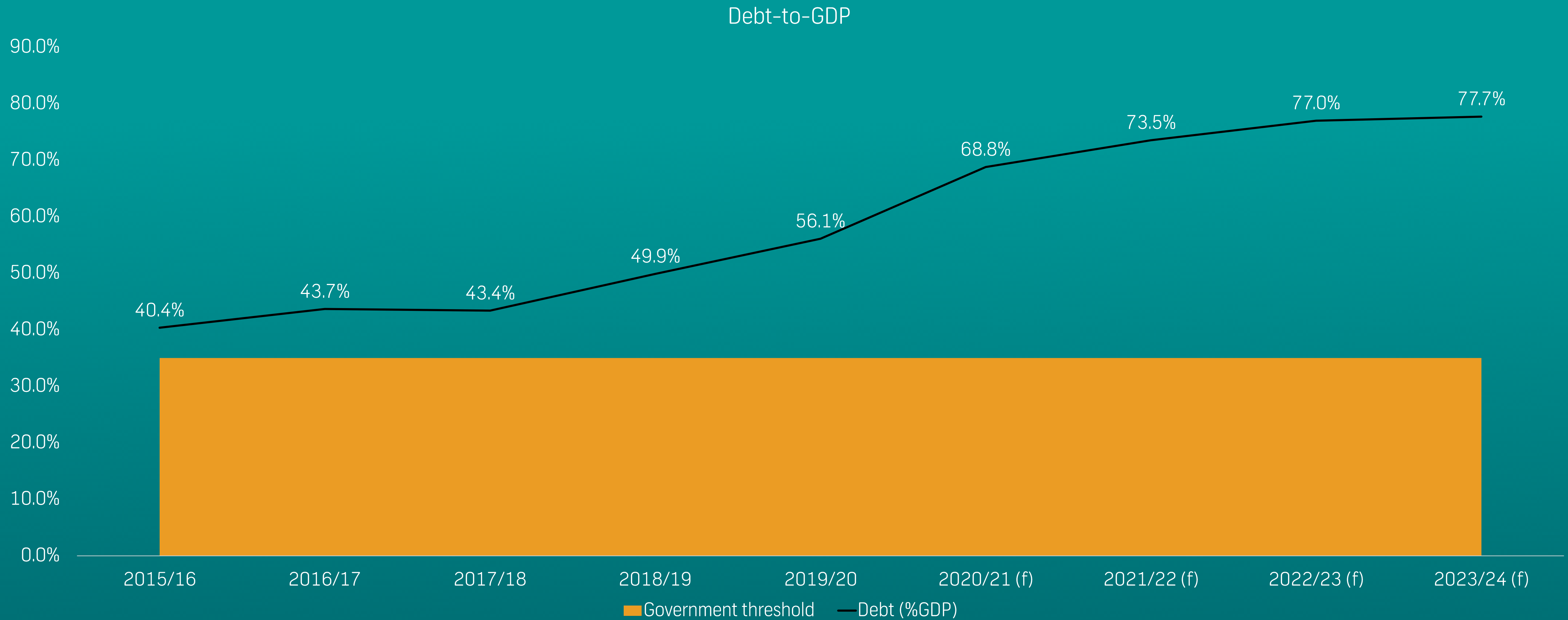
Limited scope for fiscal expansion



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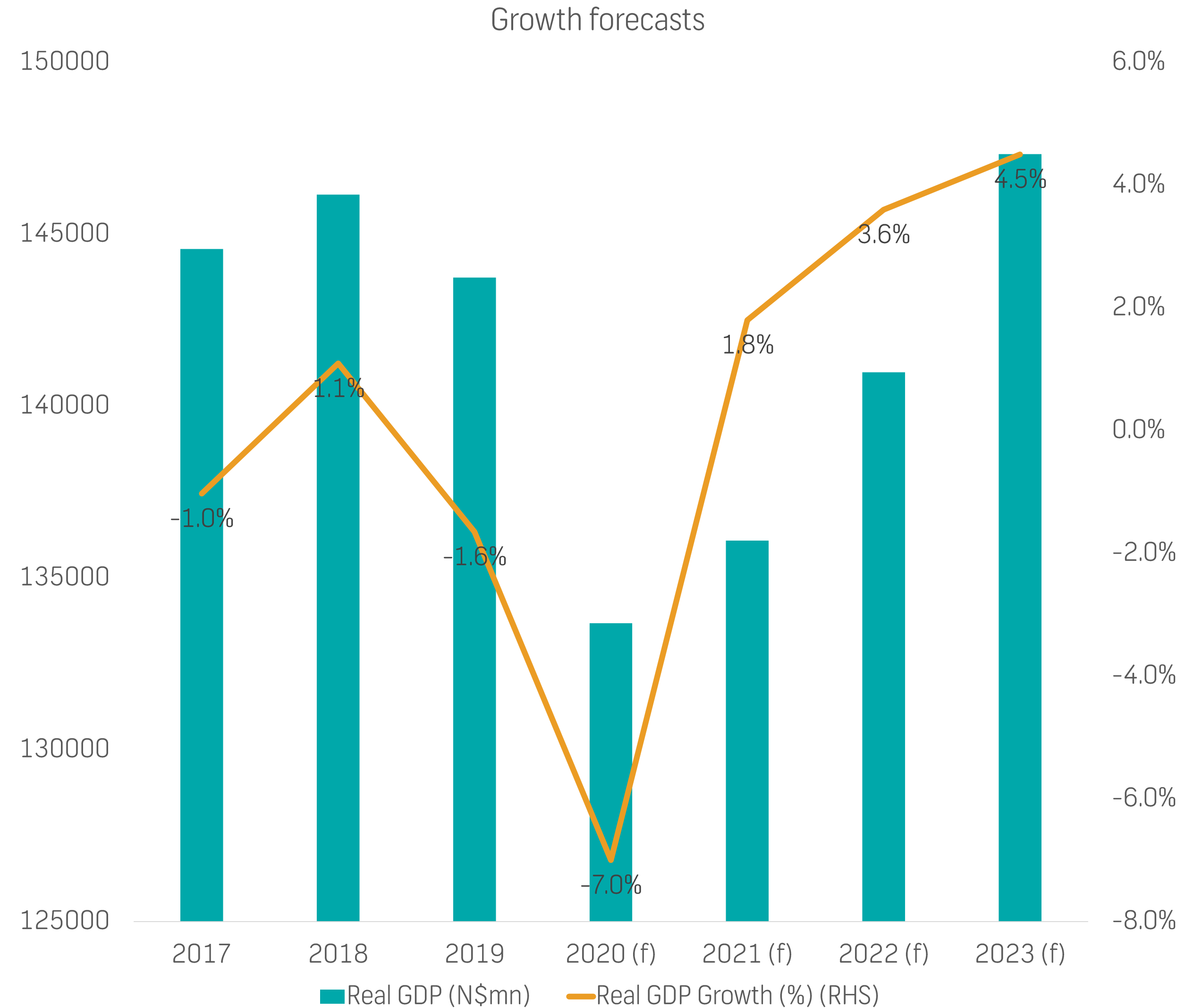


Higher levels of debt expected



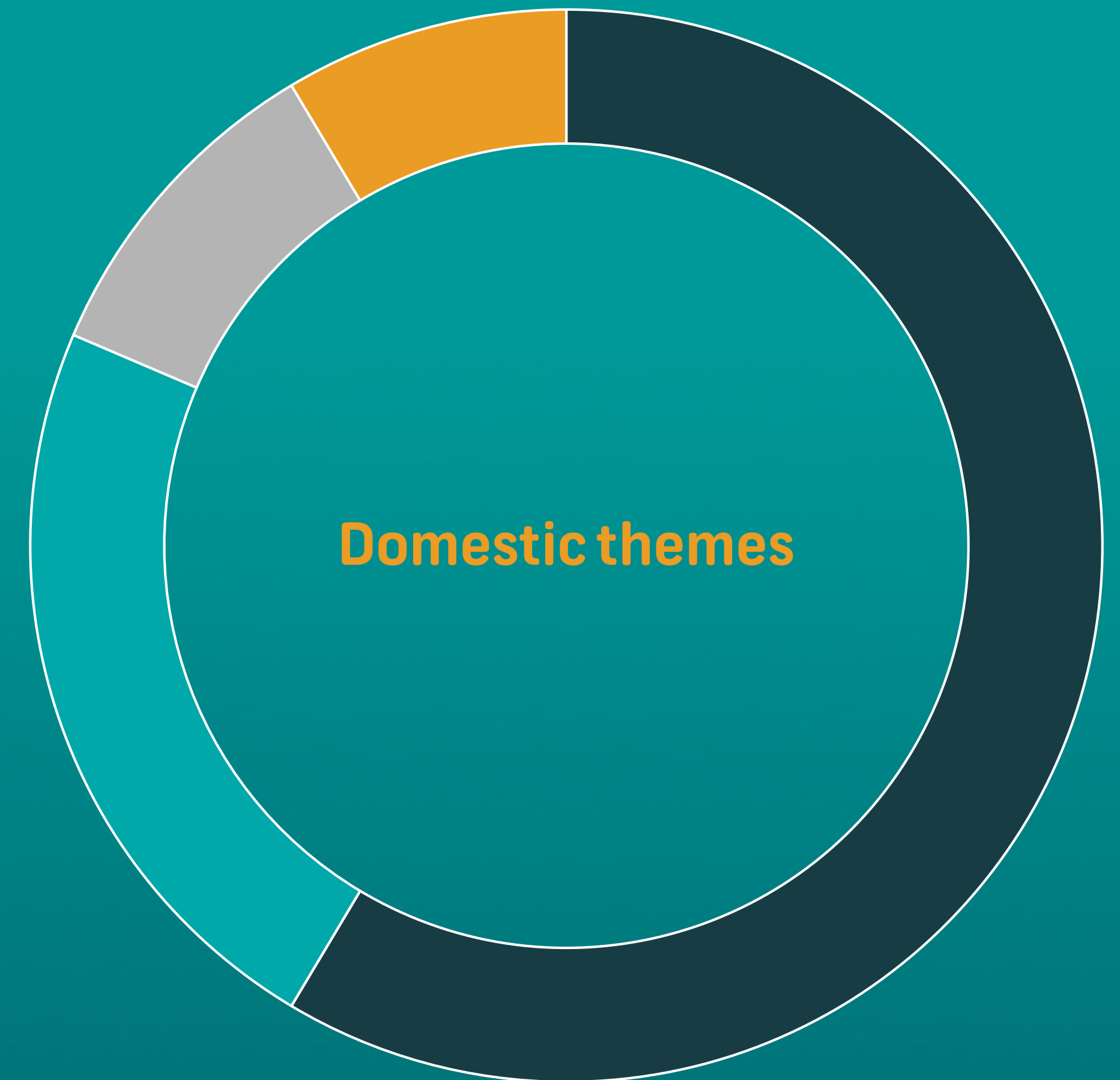
Growth outlook

- In the short to medium term we expect underlying growth to be driven by base effects – organic growth will remain subdued
- It will take a while to make up for the erosion in growth
- GDP is unlikely to get back to its pre-Covid trend until at least 2023



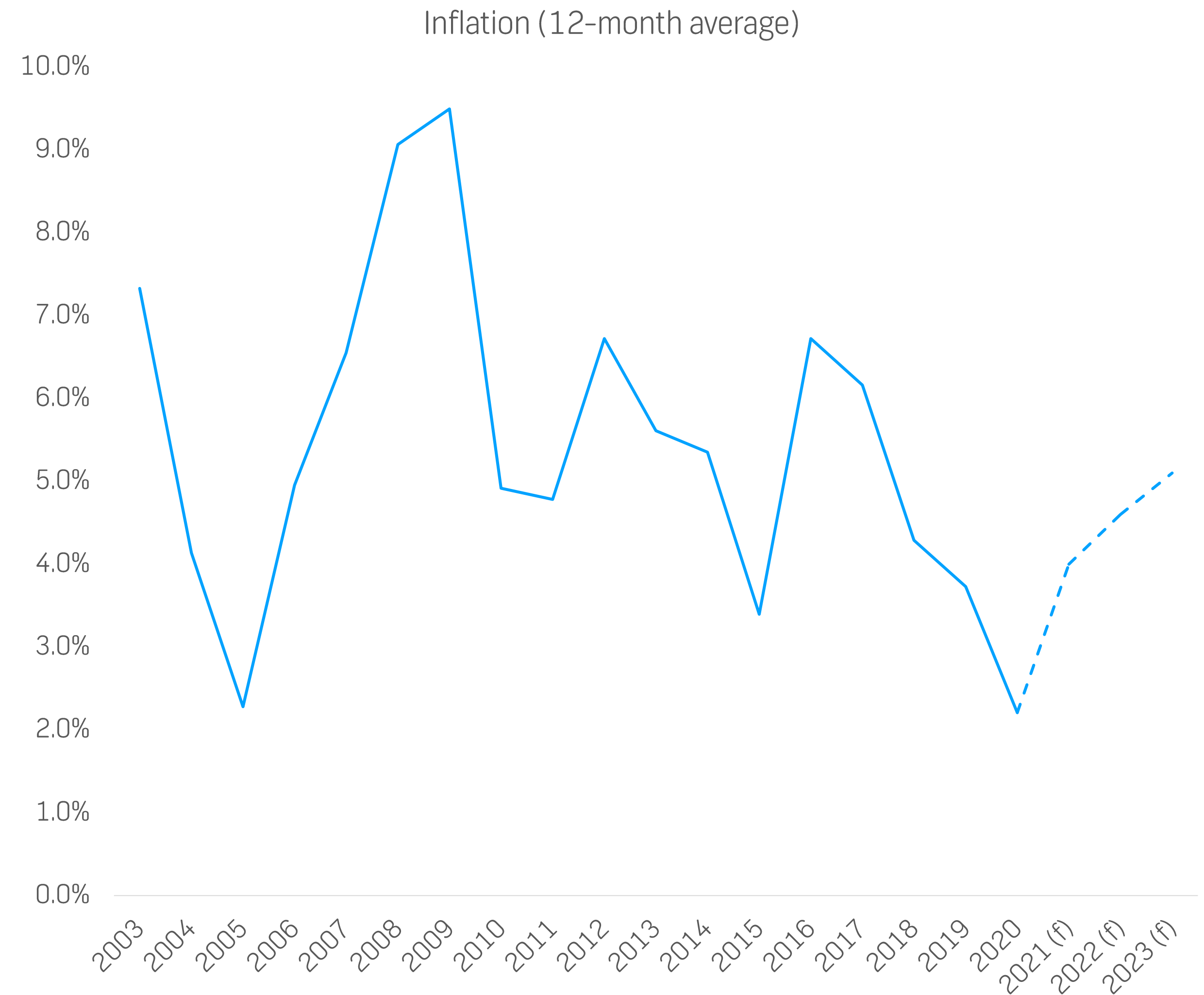
Risks to the outlook

- Slow global growth
- Fiscal pressures
- Lacklustre employment opportunities
- Slow roll-out of the vaccine
- Weak business sentiment
- Slow consumer spending



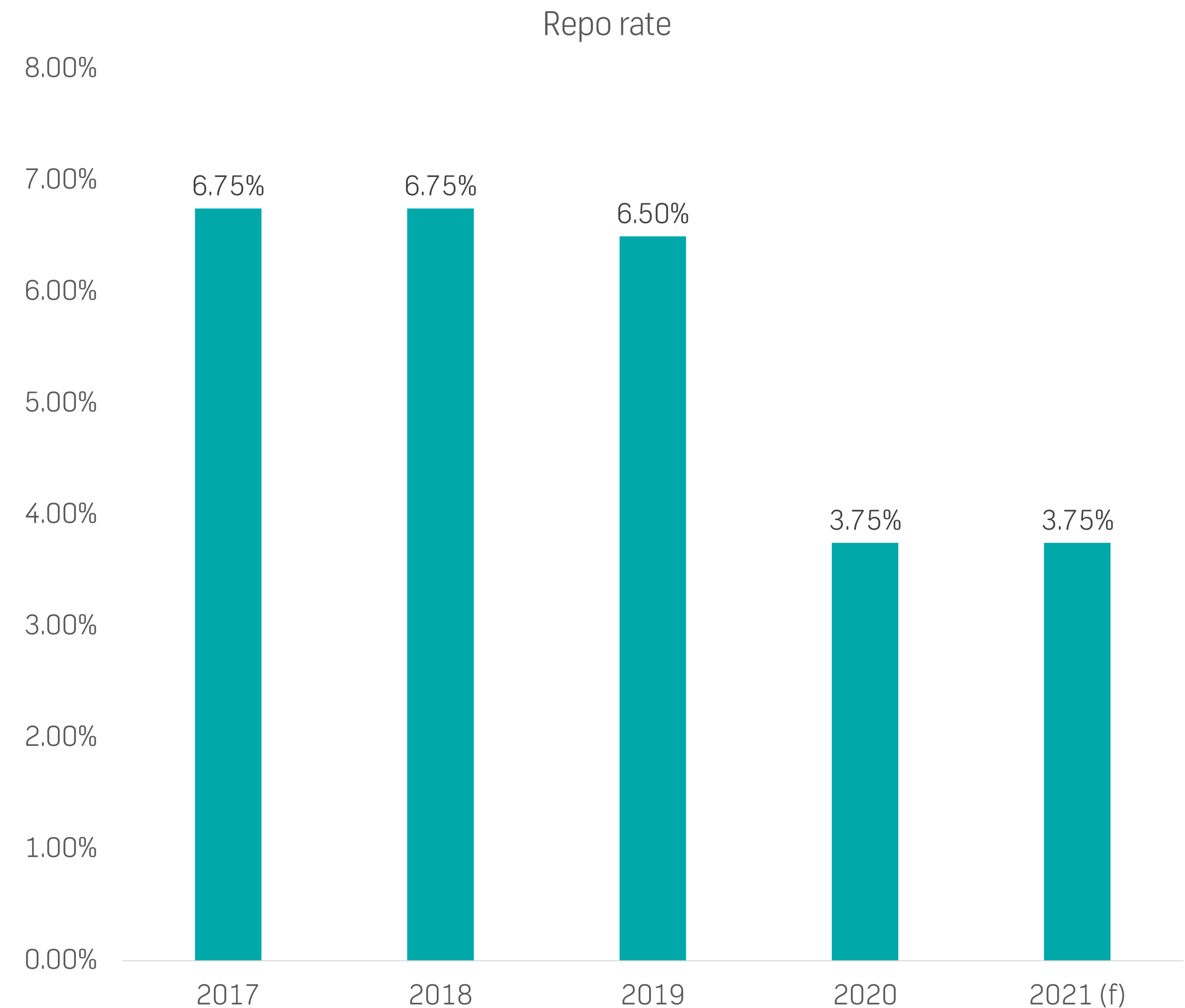
Inflation outlook

- The global rebound will push oil prices higher and consequently push inflation higher
- Downside risks to this view are continued weak domestic demand and subdued second-round effects



Monetary policy

- Rates are expected to remain low for long given in order to support the economy
- However, monetary policy alone will not deliver growth – structural reforms are needed



Structural reforms will lift long-term growth

Improve ease of doing business

- Regulatory and bureaucratic bottlenecks are a form of indirect taxes for businesses
- Namibia Investment Promotion and Development Board (NIPDB) a good first step in improving business environment

Create a predictable environment for businesses and investors

- Remove policy and regulatory uncertainty

Focus government spending on social safety nets and provision of public infrastructure

Improve institutional quality

- Ensure efficient governance
- Tackle corruption, poor public financial management and procurement bottlenecks

Address education and skills gaps

- Migration can assist in filling skills shortages and addressing labour market needs in the short term



Thank you 😊

