

## **The importance of credible forecasts**

The Namibian economy has been experiencing slower growth over the past 12 months than we have seen in the last 5 years. There are still a few deniers of this; however the high frequency data is fairly conclusive. This comes after a period of extremely high growth, which has set an excellent base for the country, however the slowdown is now in full swing, and being driven by a number of factors. Unwinding of historically low interest rates, financial pressure on government, less foreign direct investment into the country, fewer Angolan retail tourists, a high base and weak commodity prices are a notable few.

As the economy slows, ensuring that our growth forecasts are correct is of great importance for long term fiscal stability. With the budget soon expected, we are increasingly worried about excessively high and non-credible growth forecasts leading to higher than realistic revenue forecasts – exactly what we saw in 2015/16. Excessively high revenue expectations will drive over-spending by government, will result in an excessively high deficit, and thus excessive debt issuance. This will perhaps be good for Namibia in the short term, but will certainly damage our long-term outlook.

At this point, we need care from the ministry of finance, not optimism. Excessive optimism in growth forecasts is not patriotic, in the same way that recognising a growth slow-down is not unpatriotic. Realism, and recognising that all economies go through cycles, is not only required, but critical to the long term health of the Namibian economy.