



2016: An Outlook on the Namibian Economy

29 January 2016

The Economic Association of Namibia hosted a business breakfast in partnership with Bank Windhoek Holdings on January 29, 2016 on the Outlook for the Namibian economy in 2016.

After five consecutive boom years (2010 – 2014) Namibia currently faces strong headwinds due to its economic links with South Africa as well as country specific issues such as high indebtedness levels and infrastructure challenges; particularly the looming water, electricity and housing crises. The fiscus also faces challenges with declining SACU revenue receipts and increased spending.

The aim of the business breakfast was to give an overview of the Namibian economy, highlighting the challenges faced while also providing potential solutions and opportunities. The event also aimed to give views on potential investment opportunities given the current global headwinds.

Rowland Brown, Head of Research at IJG Securities, gave a presentation which was centred around the Namibian economy, focusing on the effects of the global economic slowdown on the domestic economy. Brown looked at the impact of the depreciating currency and presented a sectorial overview, particularly the construction, agriculture and mining industry. He touched on the country's expansionary fiscal policy that has contributed to a surge in public debt, reaching its all-time high of 35% of the country's Gross Domestic Product in 2015, and an increase in debt servicing costs.

Inflation was largely muted for the period under review, averaging 3.4% and largely benefiting from the fall in global oil prices. Brown forecasted that the economy would slow to 2.5% in 2015, from 6.4% in 2014. Brown also forecasted an accelerating inflation, due to increases in food prices as the severe drought persists, coupled with a further depreciation of the local currency. In order to contain inflation shooting up, Brown expects the Bank of Namibia in all likelihood to respond by increasing local interest rates by up to 1.75%.

Brown mentioned that increasing interest rates will negatively impact the already highly indebted Namibian consumer, consequently decreasing consumer's real disposable income.

As another concern he highlighted the liquidity constraints being experienced by the banking sector, and the implications for investments. He also anticipated a widening of the Balance of Payments deficit in 2016 due to costly imports and comparatively cheaper exports. He however sees some recovery heading into 2017.

Going forward, Rowland Brown foresees a slowdown in Government revenue generation due to a slowdown in VAT receipts and SACU revenues following a halting economic activity. A further weakening of the currency and expected interest rate increases will result in higher debt servicing costs.

In order to address the many challenges facing the local economy, Brown stressed the need for fiscal consolidation and a reprioritisation of government spending. He also stressed the need for collaboration between the public and private sector.

Honourable Tom Alweendo, the Minister in charge of the National Planning Commission, emphasised the importance of public private partnerships as a necessary trigger for investments and in order to stimulate growth in the local economy. A potential area of partnership which the minister alluded to was in the delivery of services, such as water and electricity, which yield great returns for the greater economy.

In his address, Floris Bergh, Chief Investment Officer at Capricorn Asset Management, presented the developments in the global economy and their implications for investment decisions. Bergh noted six overarching investment themes in the global economy that would dominate investment decisions, namely the surge in debt levels (corporate and governmental) across the world, market distortions through innovations and unforeseen actions, slumping commodity and energy prices, emerging market slowdown and the decline in the importance of the BRICs (Brazil, Russia, India, China and South Africa) as well as low global demand.

In his closing remarks, Thinus Prinsloo, Managing Director of Bank Windhoek Holdings, reemphasised the need to curb the excess spending and encourage a culture of saving. Prinsloo closed the session quoting Winston Churchill, saying "Never let a good crisis go to waste".

For further information, please contact:
Mr Suta Kavari, Ms Angela Huettemann
KavariS@cam.com.na
committee@ean.org.na
House of Democracy, 70-72 Dr Frans Indongo Street
Windhoek West