



Monetary & Fiscal Impact on Namibia Outlook 2022

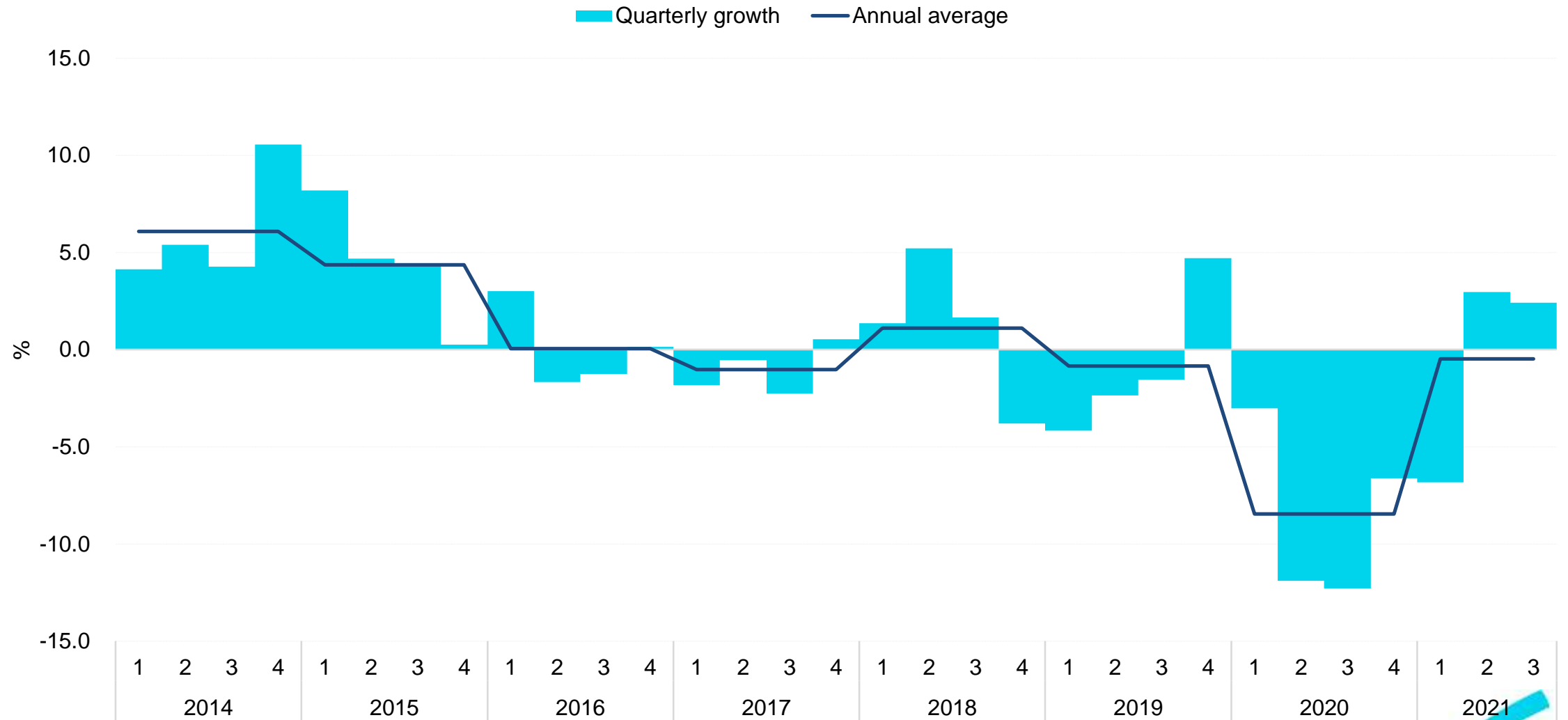
The best way to predict the future is to **create** it.



Background



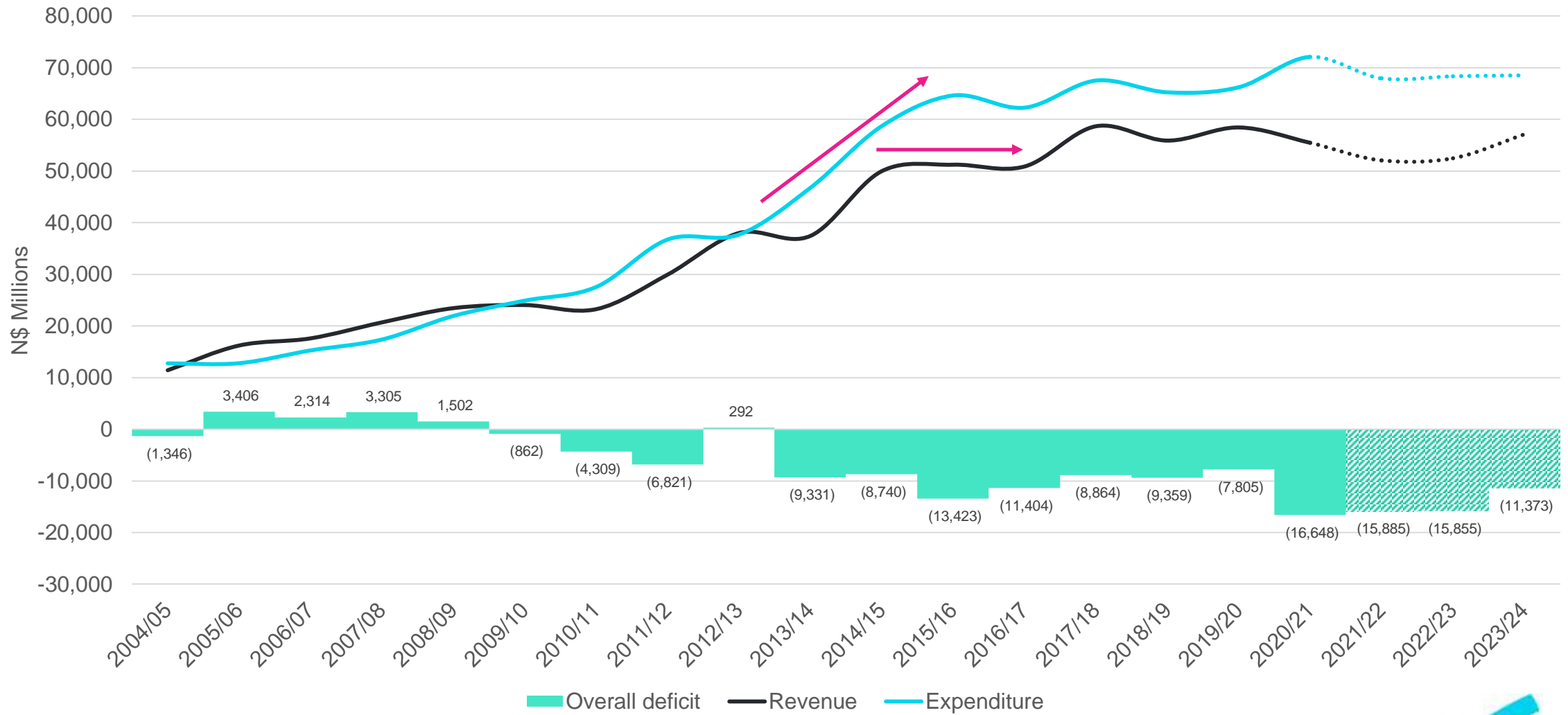
Quarterly GDP (real)



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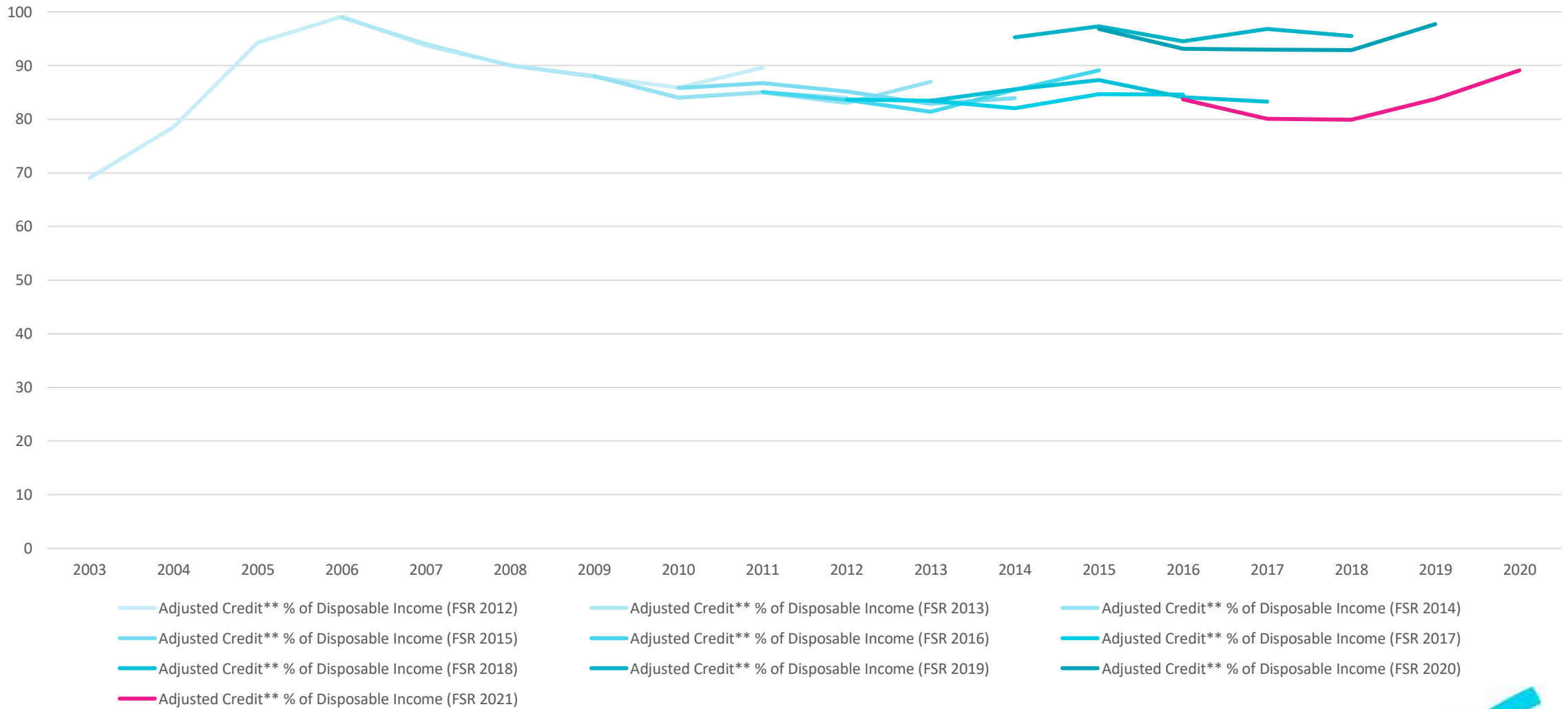
Budget Deficit



The best way to predict the future is to create it.



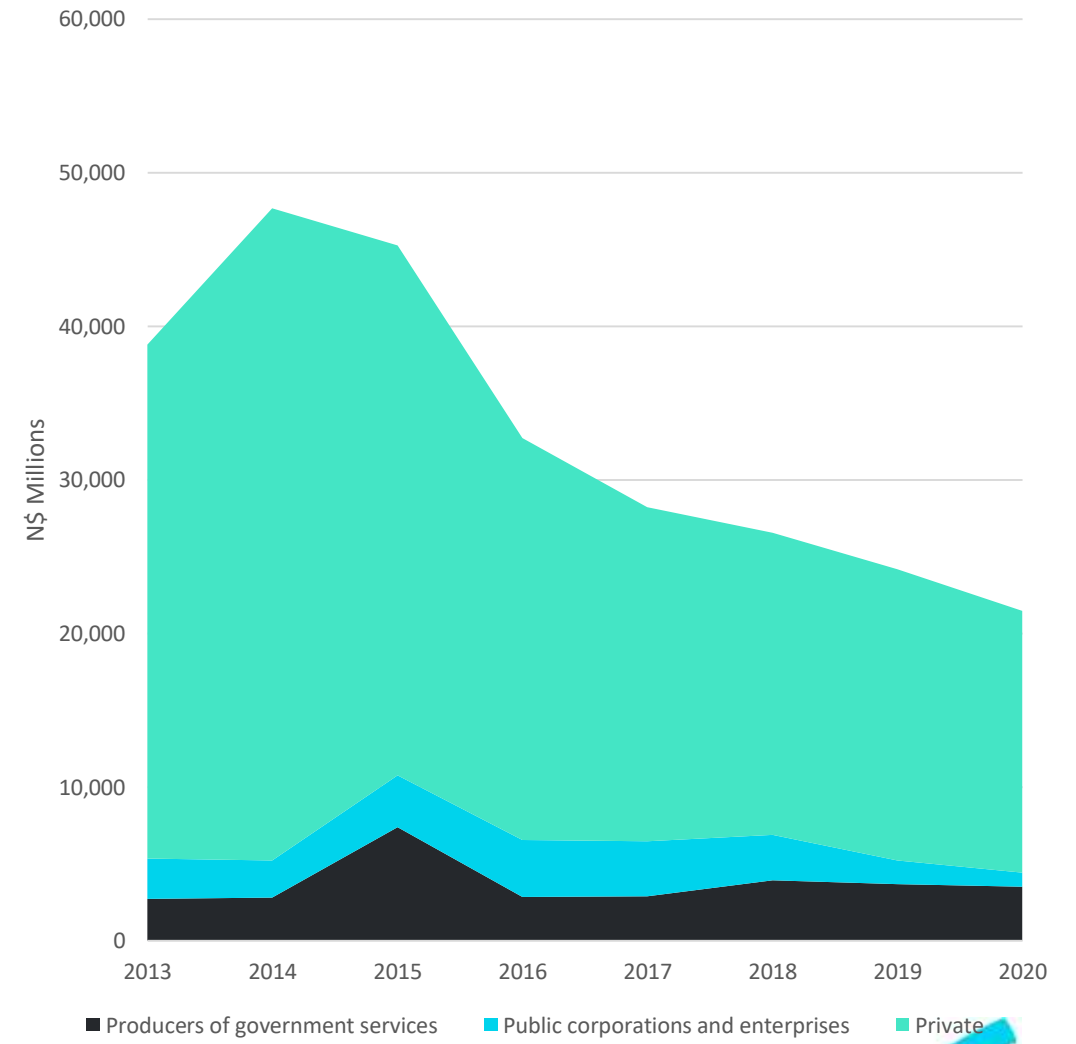
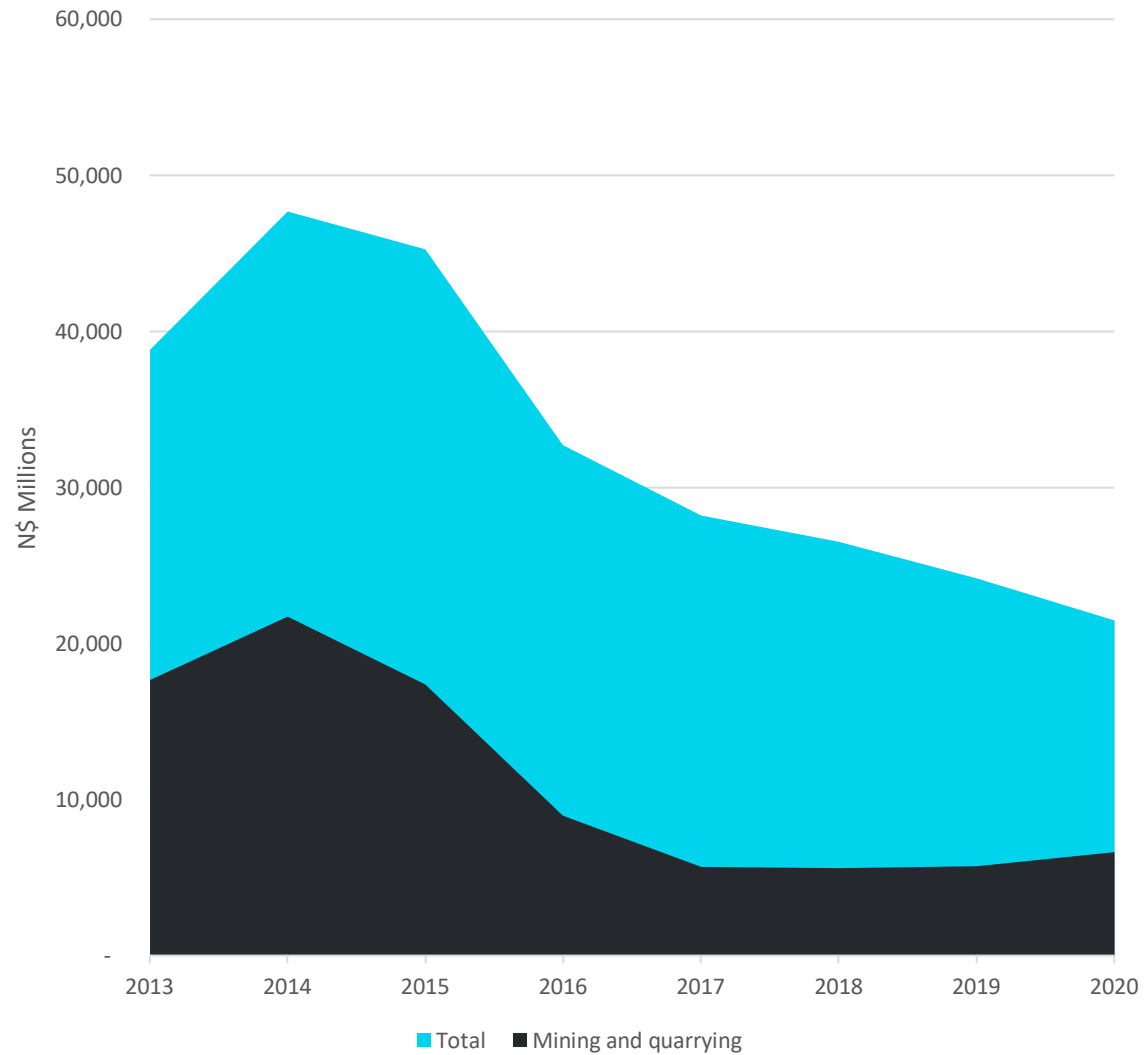
Household debt to disposable income



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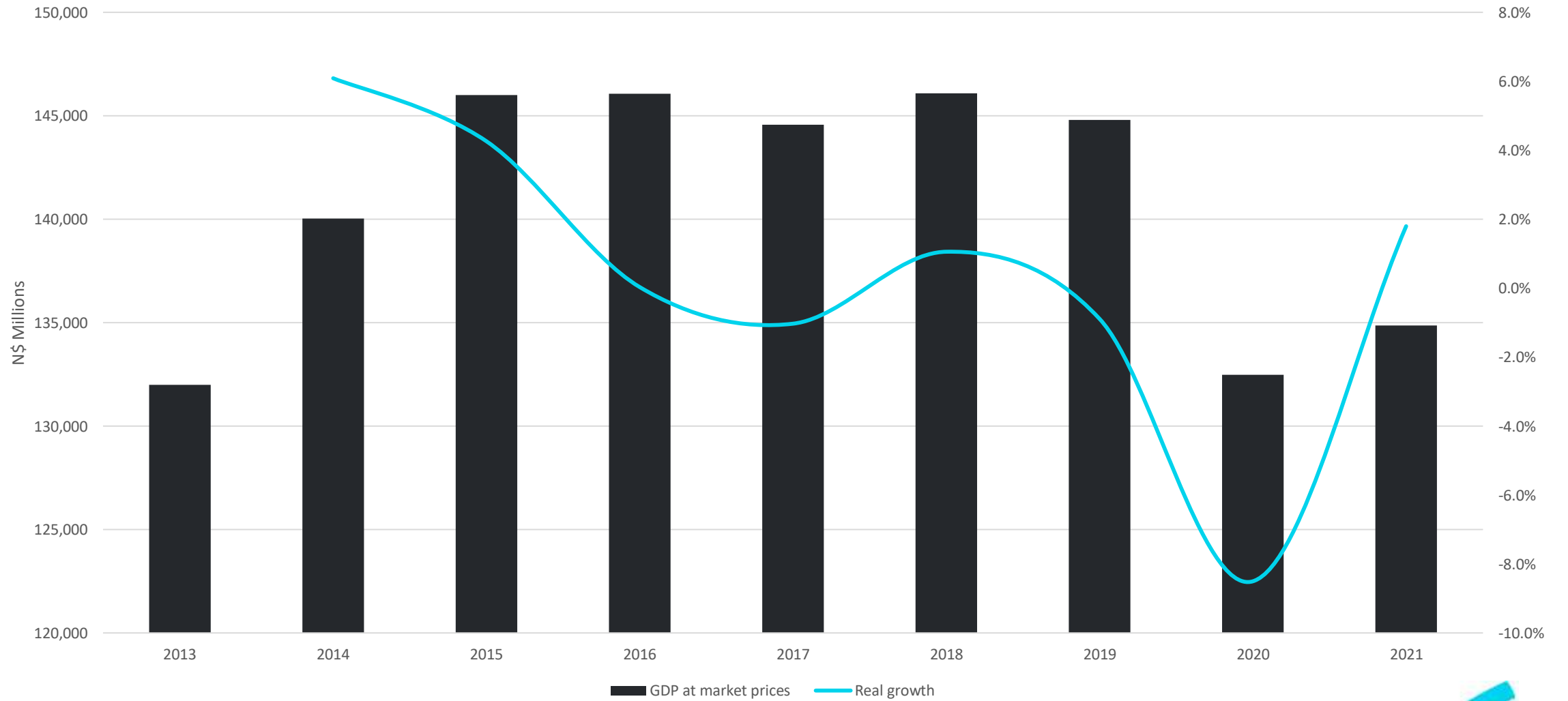
Investment



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Real GDP



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Budget

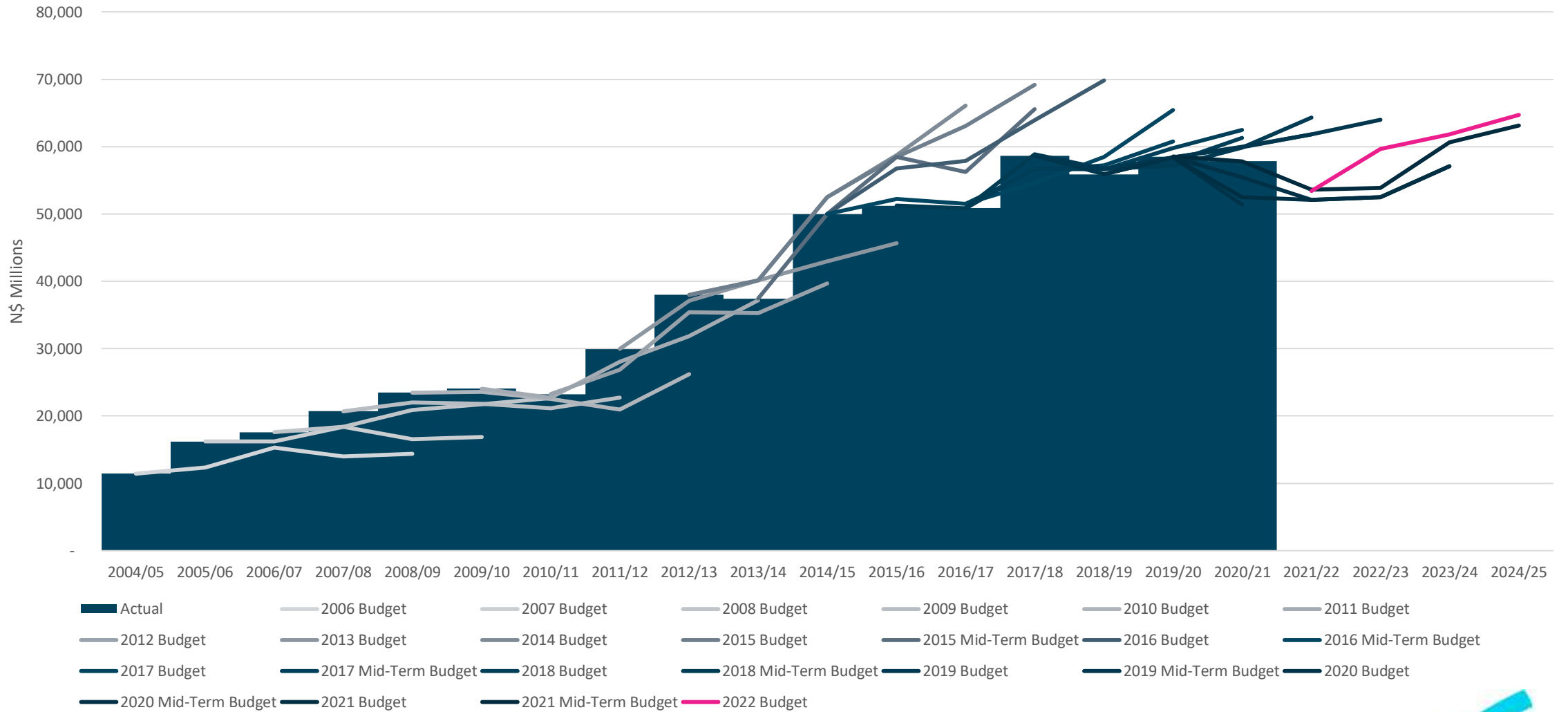




Revenue



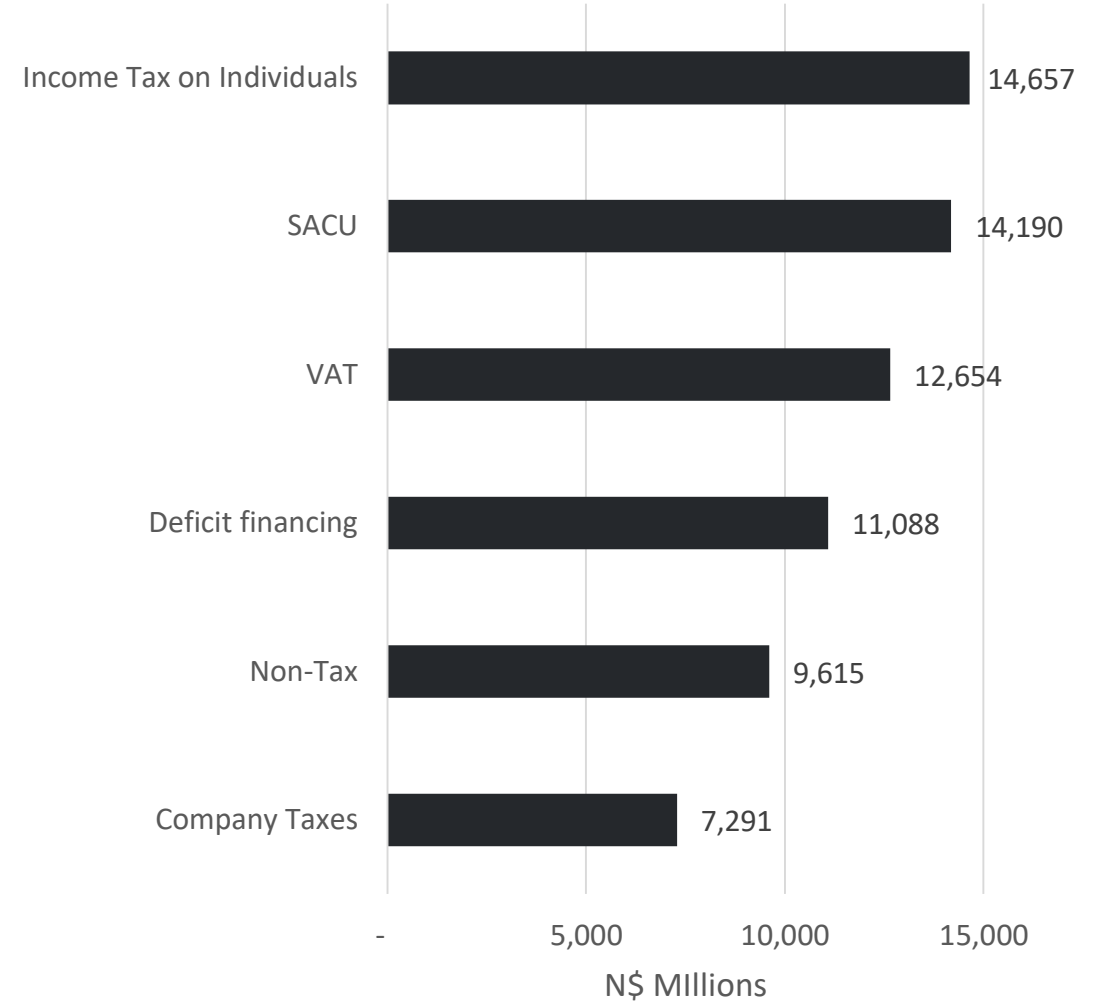
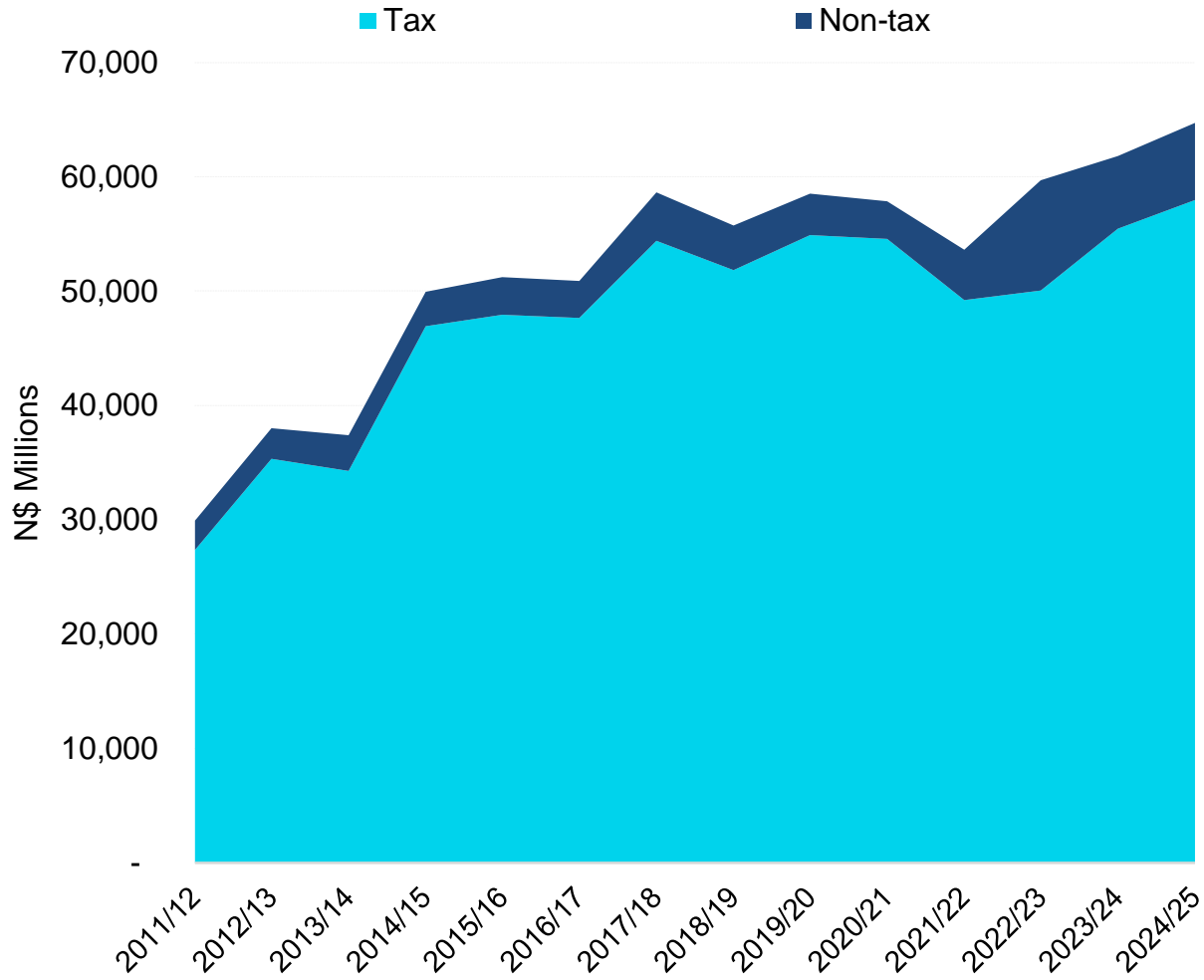
Revenue



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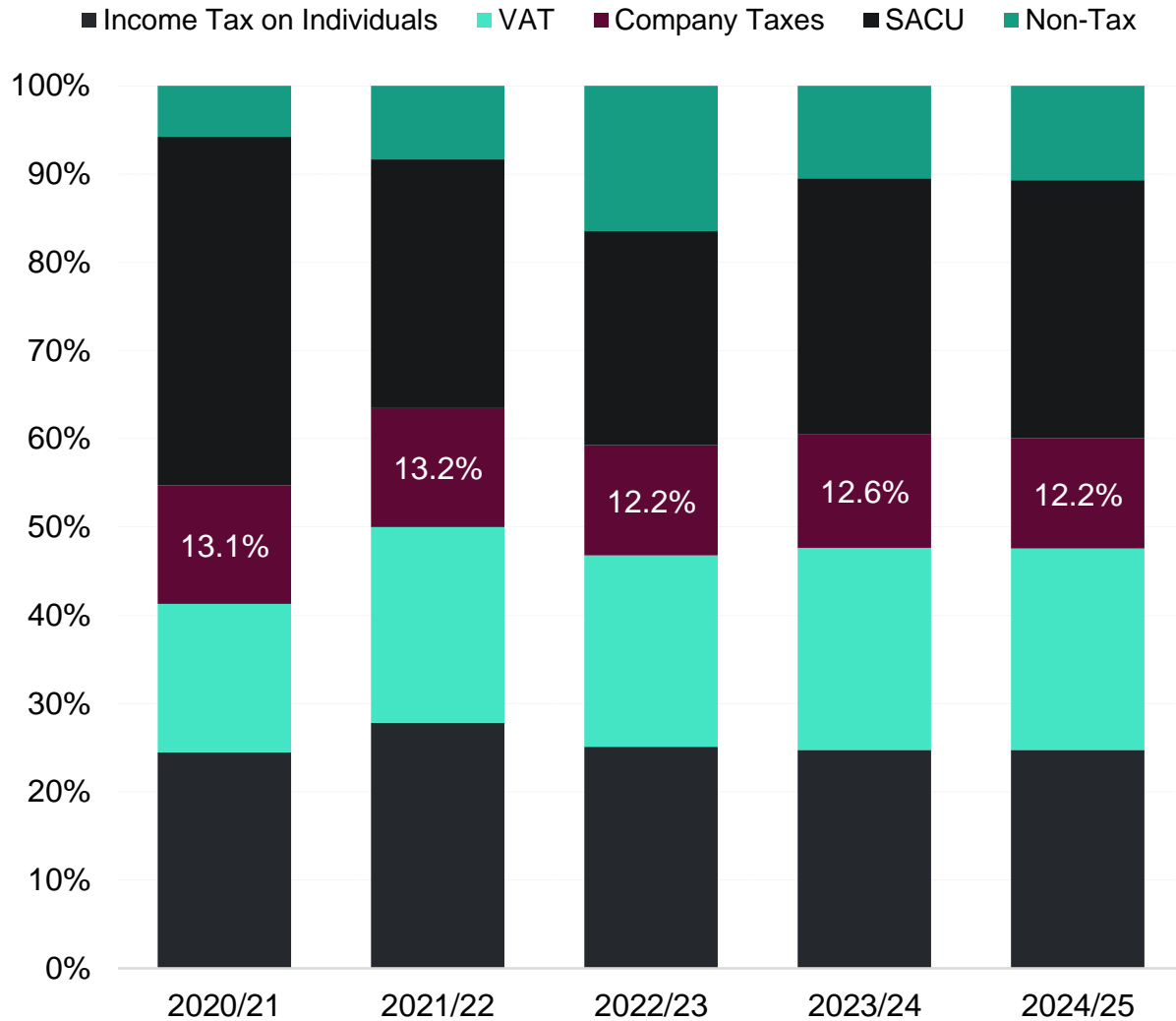
Revenue



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Tax breakdown



SA Corporate Tax

- Cut to 27% from 28%
- Effective 01 Apr '22

Cost

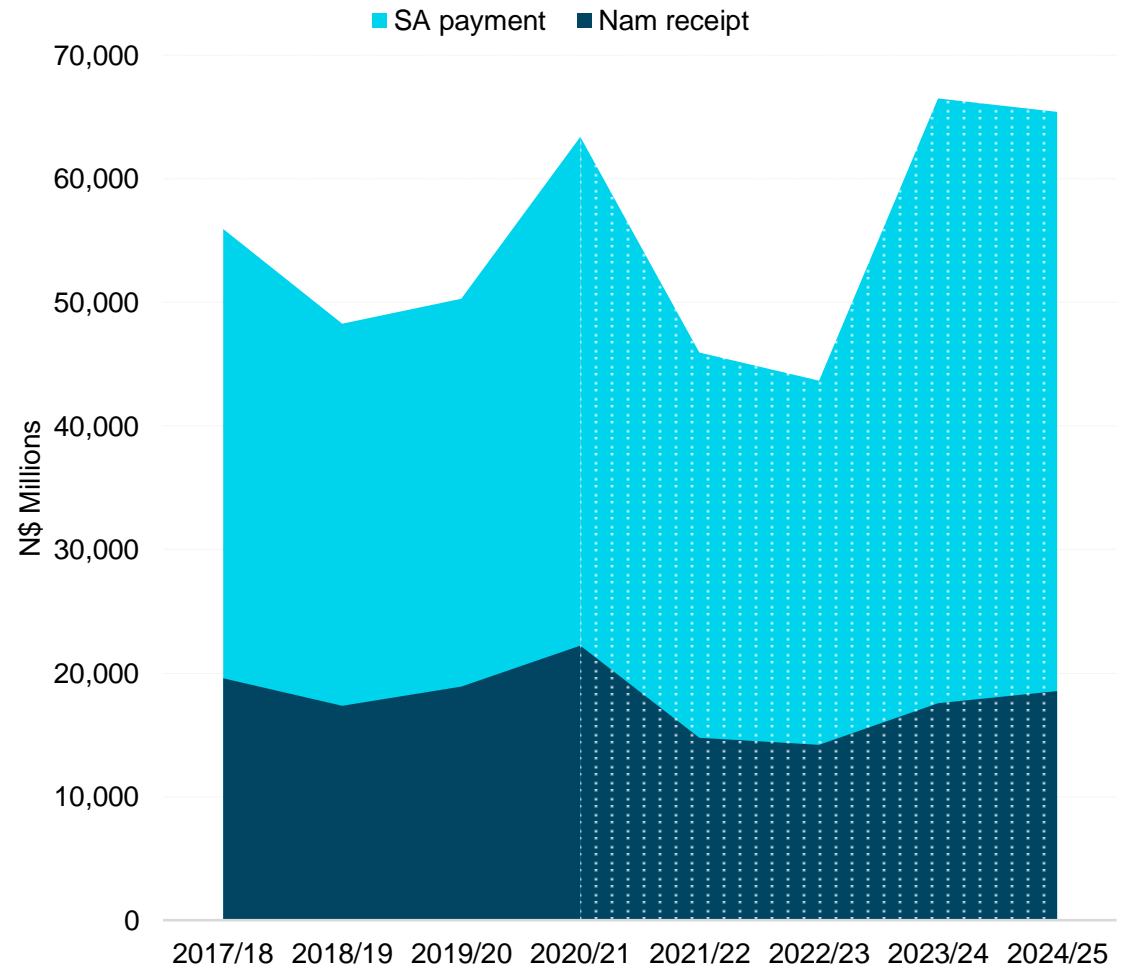
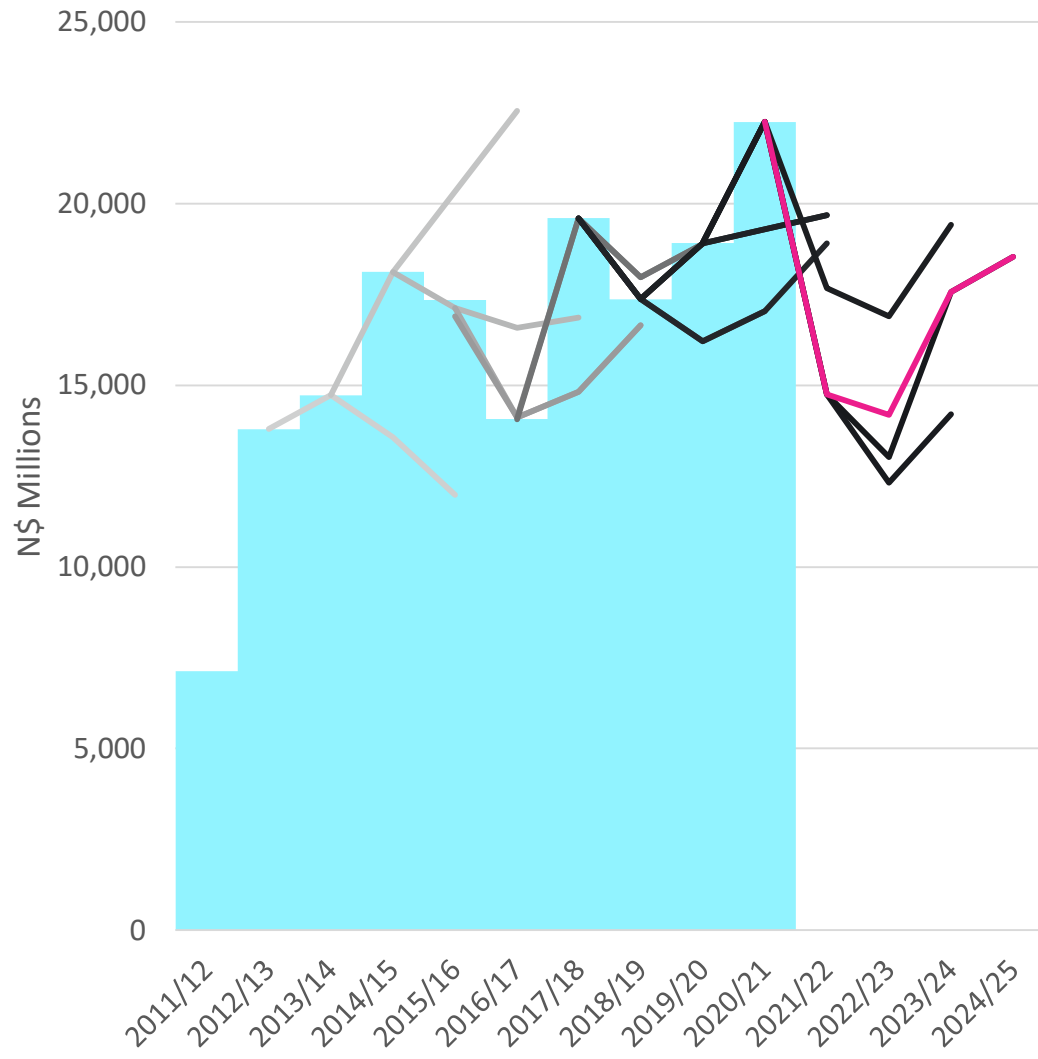
- At risk: c. R2.6 billion
- Less than 0.2% of total revenue

Nam equivalent to 27%

- At risk: c. N\$784 million
- Approx. 1.6% of tax revenue



SACU



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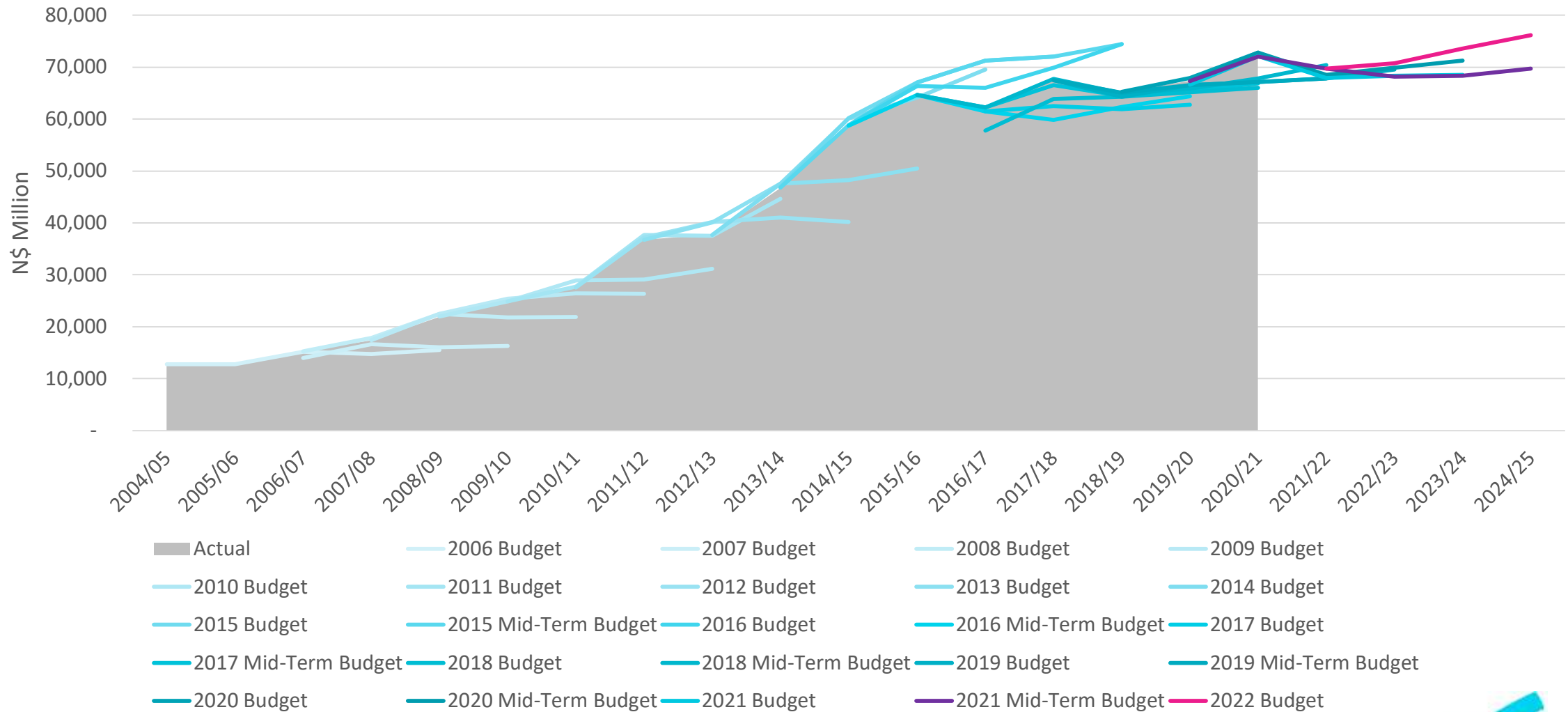


Expenditure



Total expenditure

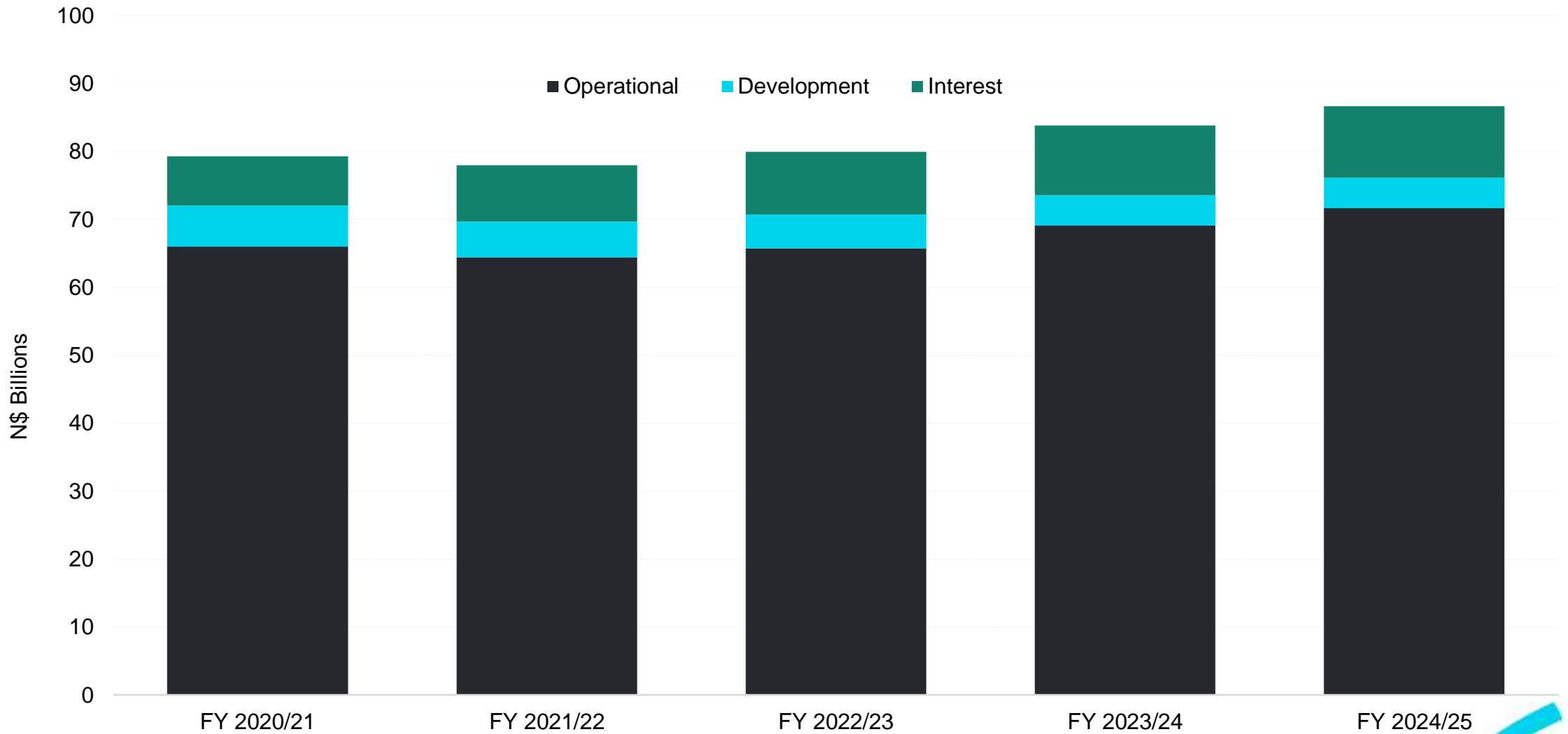
Expenditure



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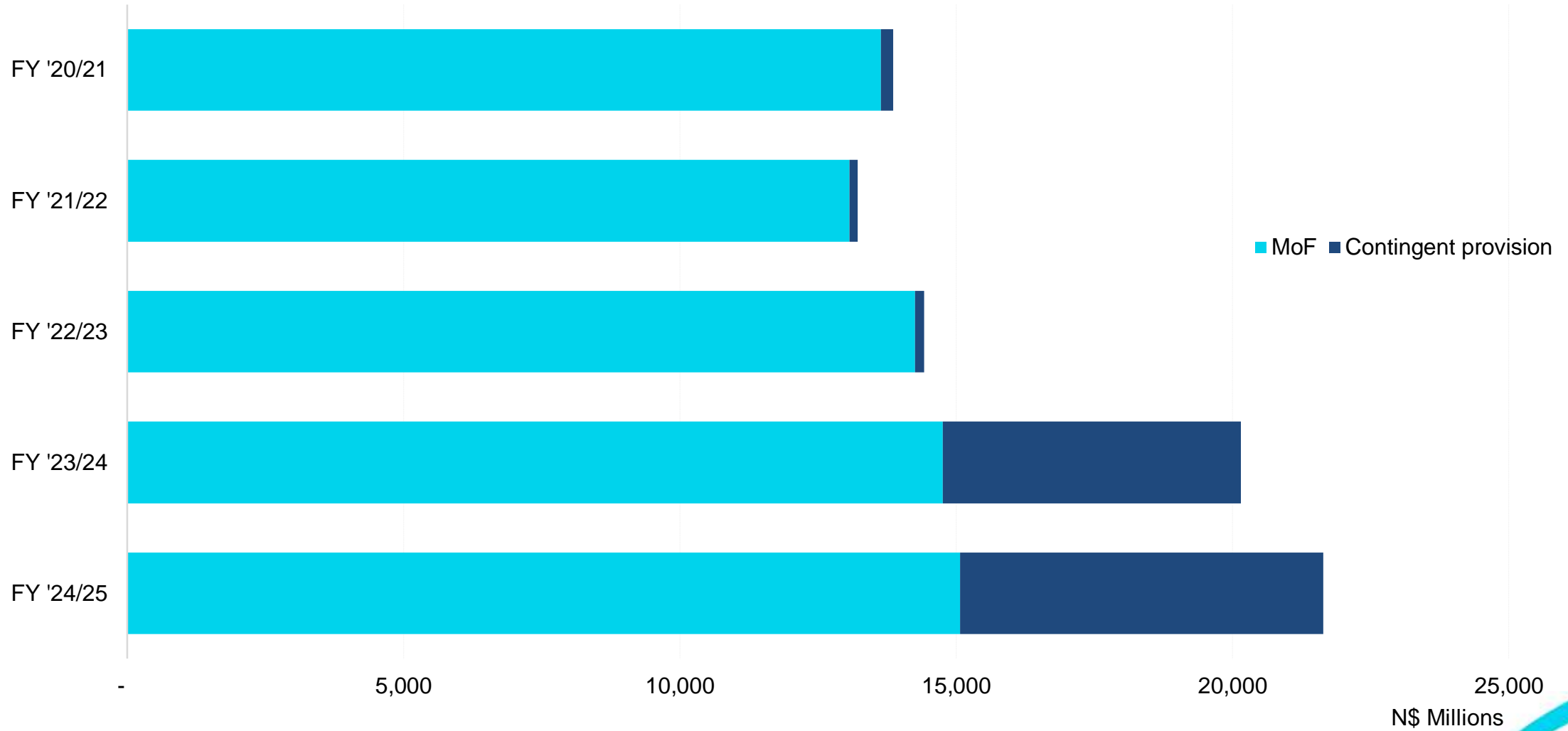
Expenditure breakdown



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MoF allocation

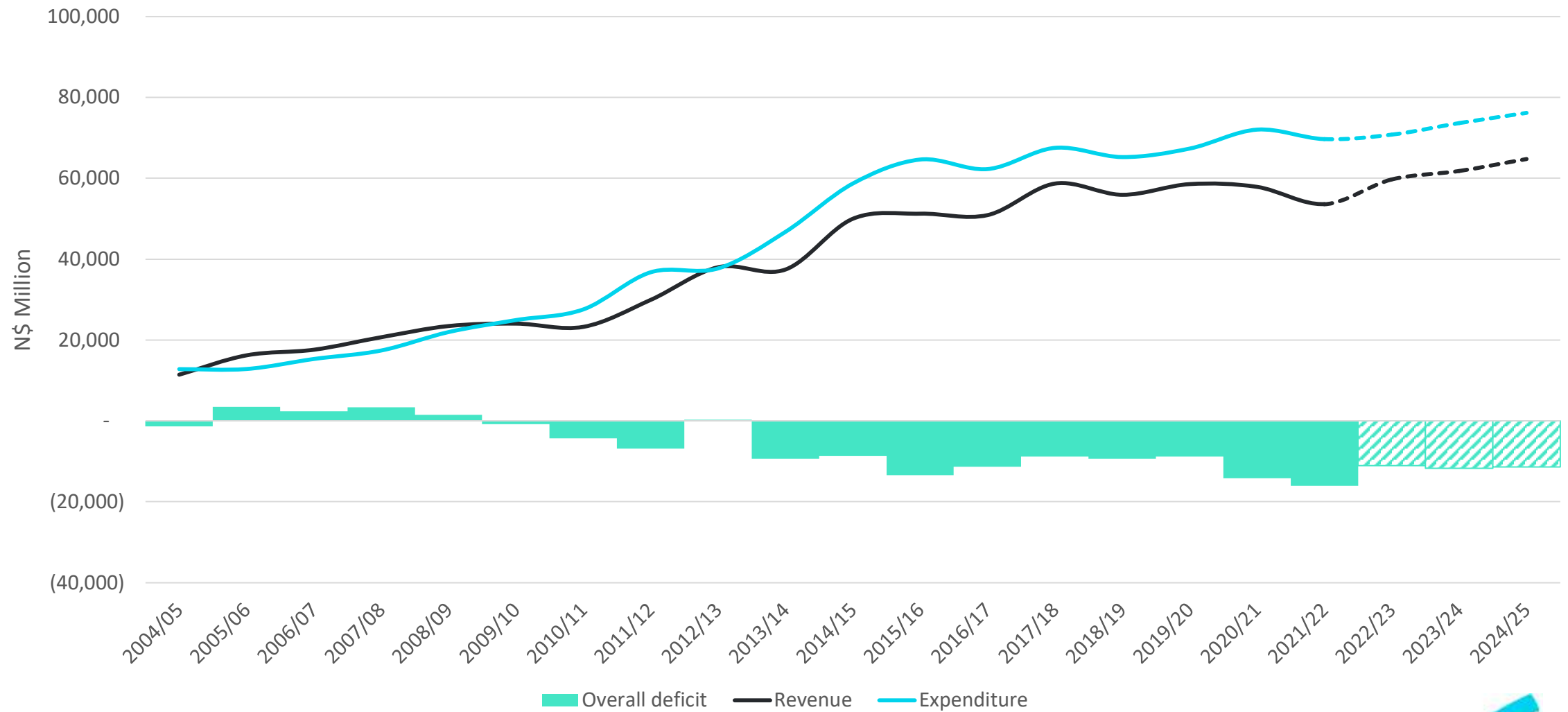




**Debt &
Deficit**



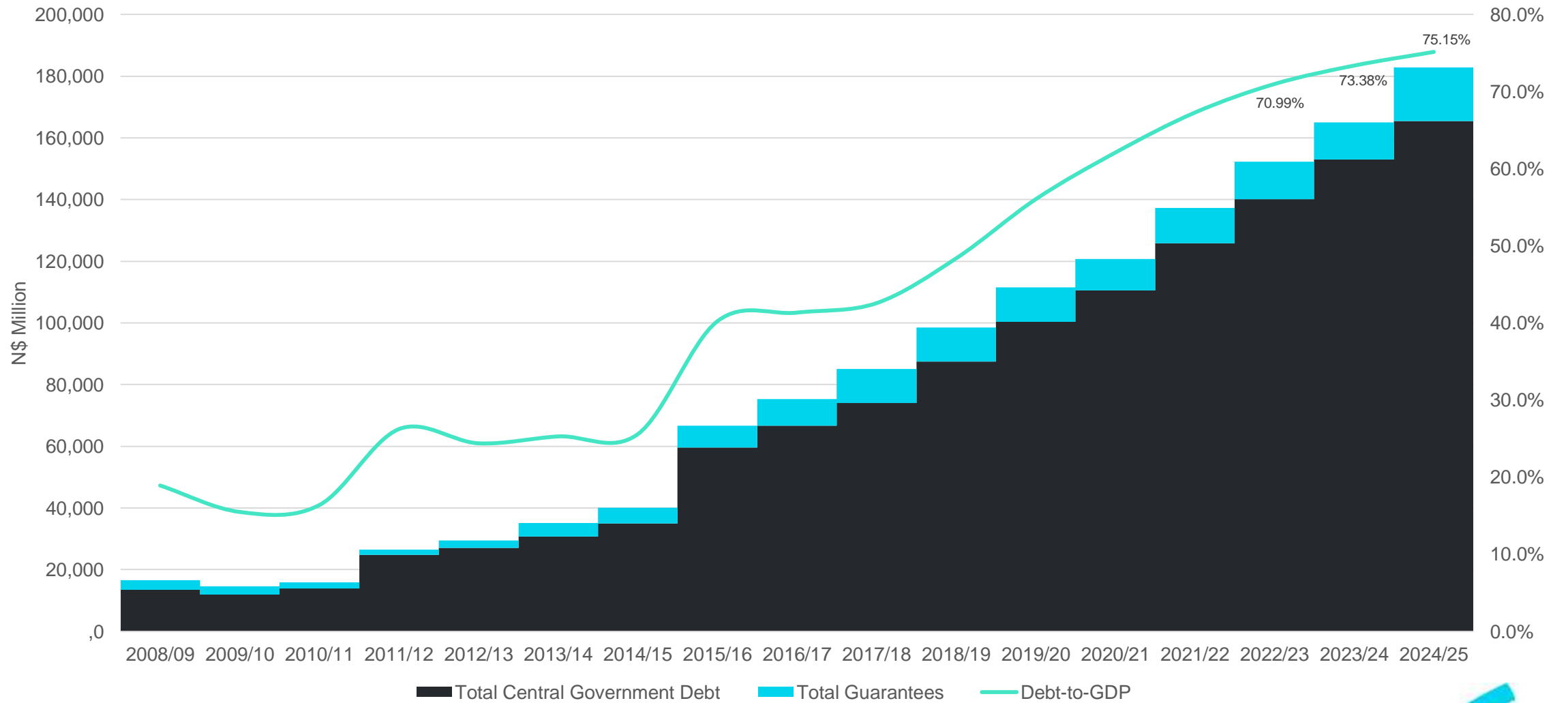
Budget Balance



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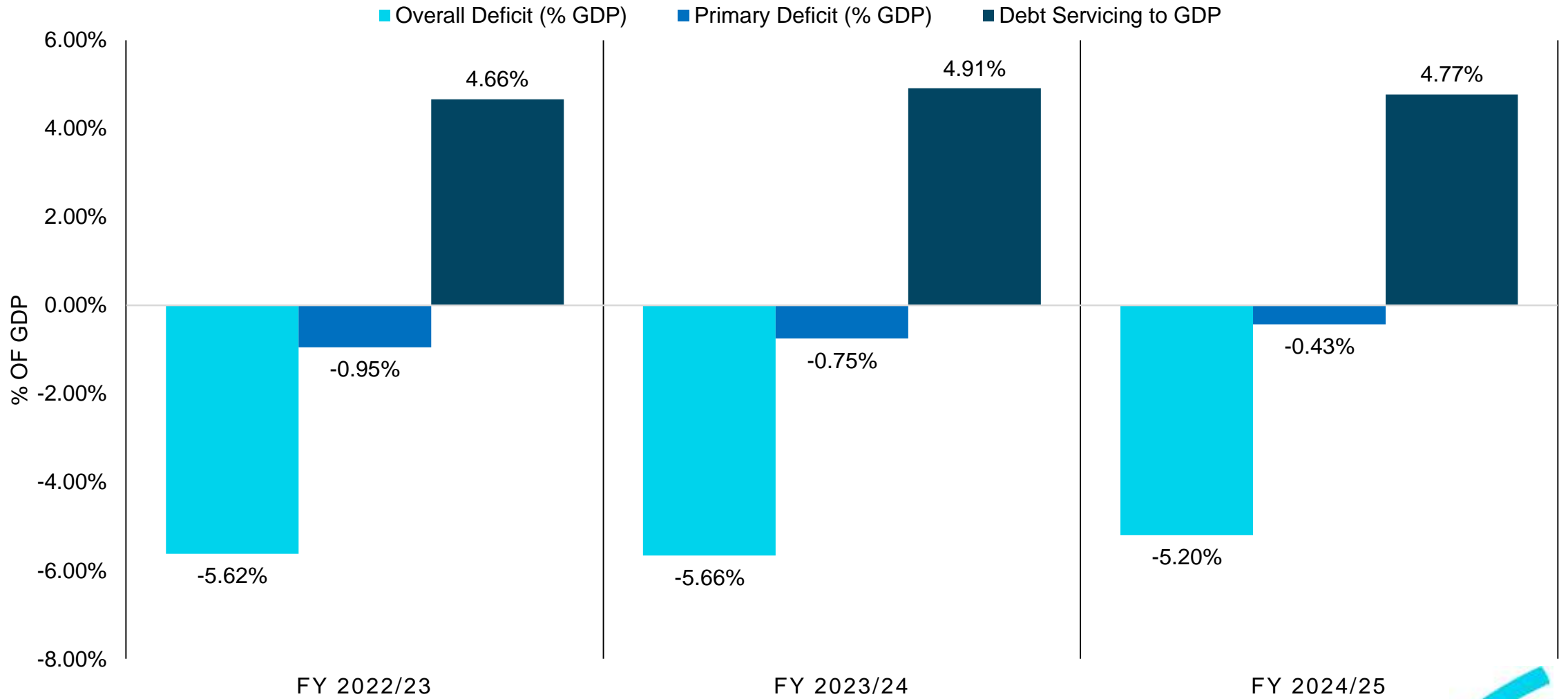
Debt & guarantees



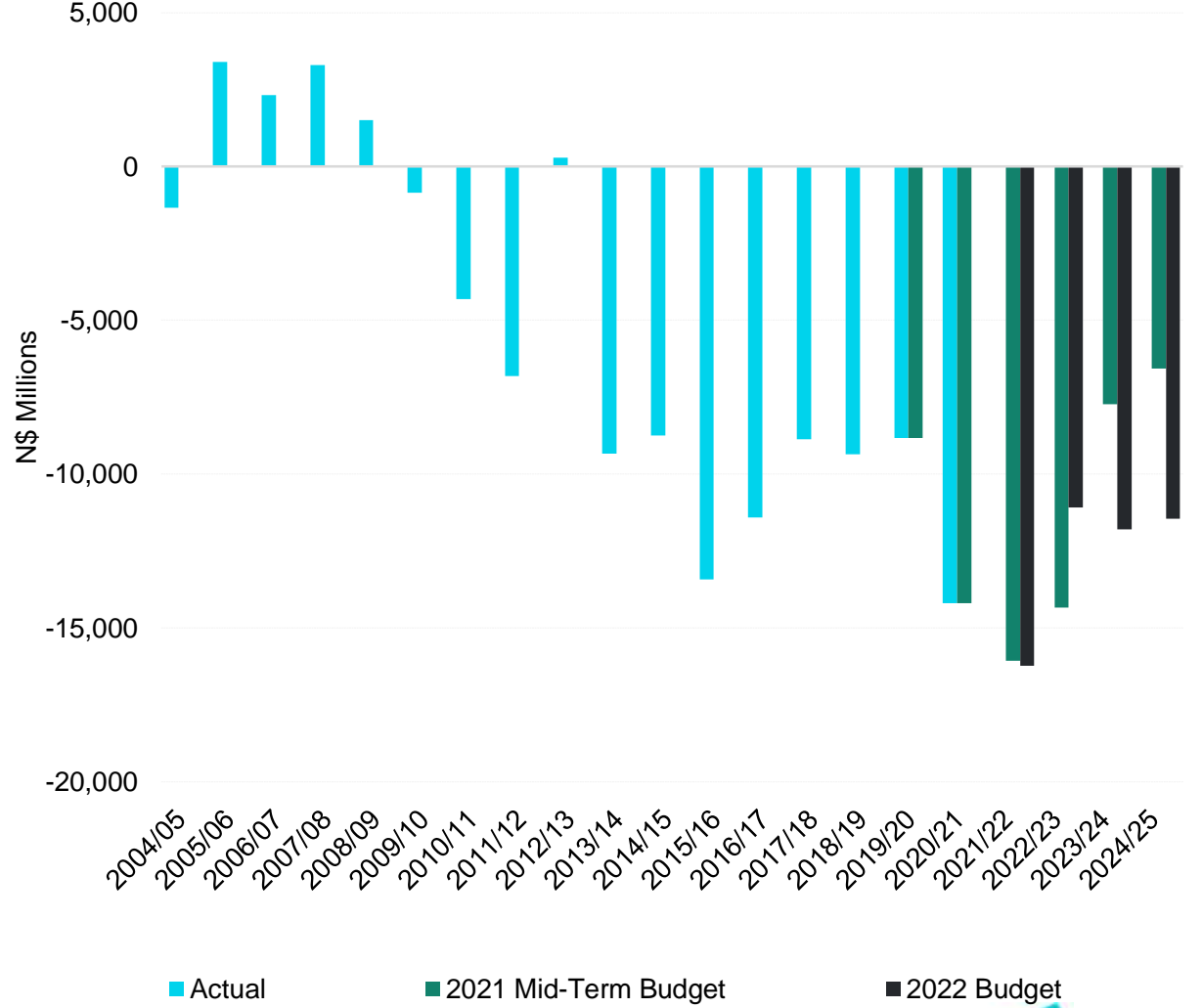
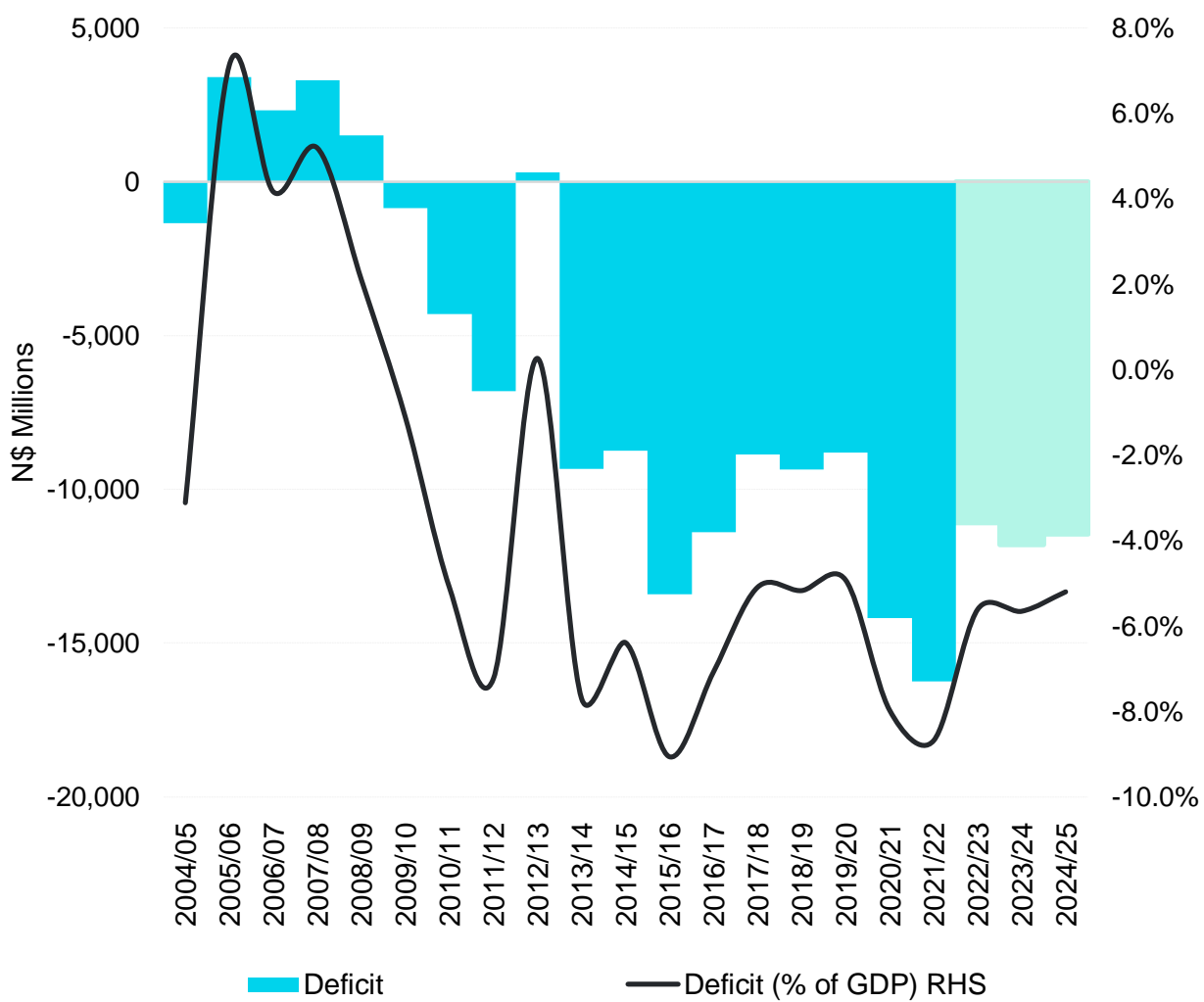
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Deficit



Deficit forecasts

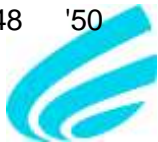
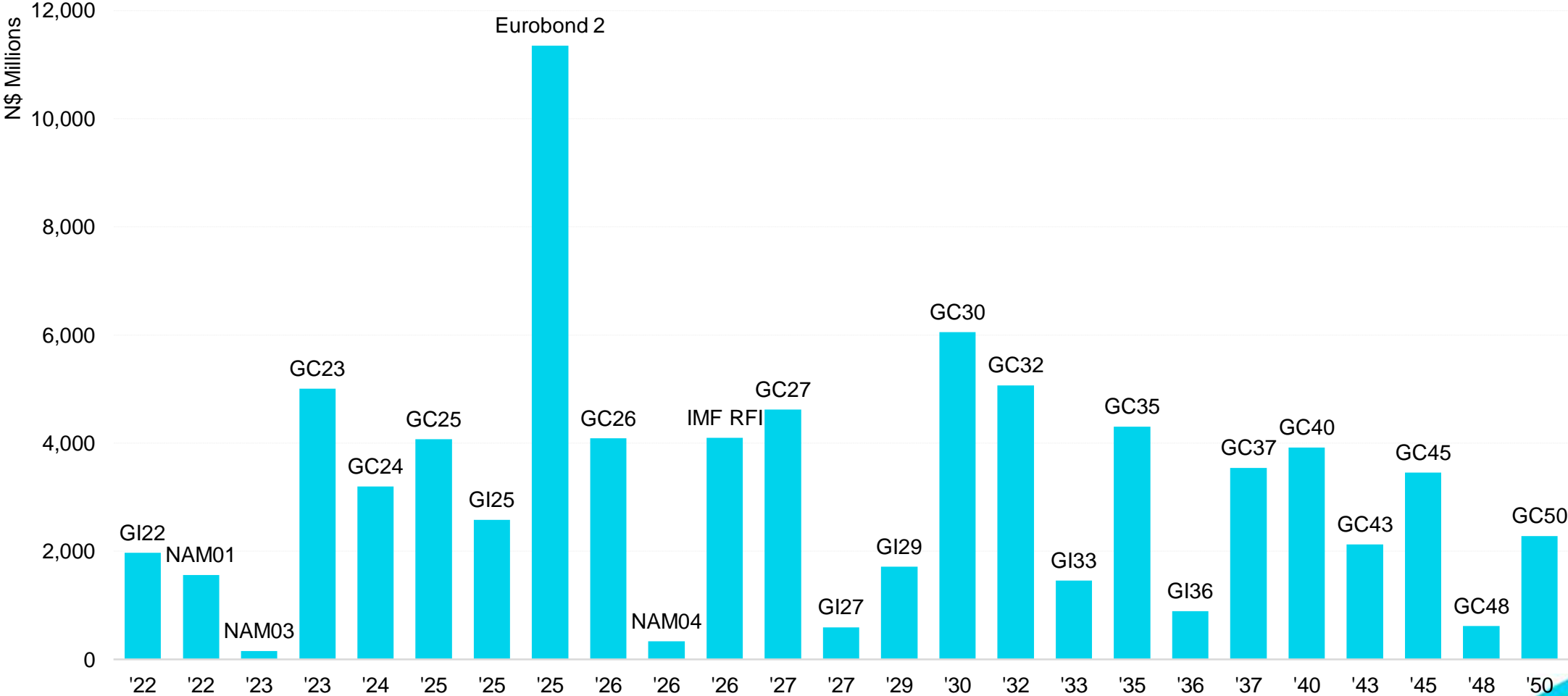


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Maturity profile

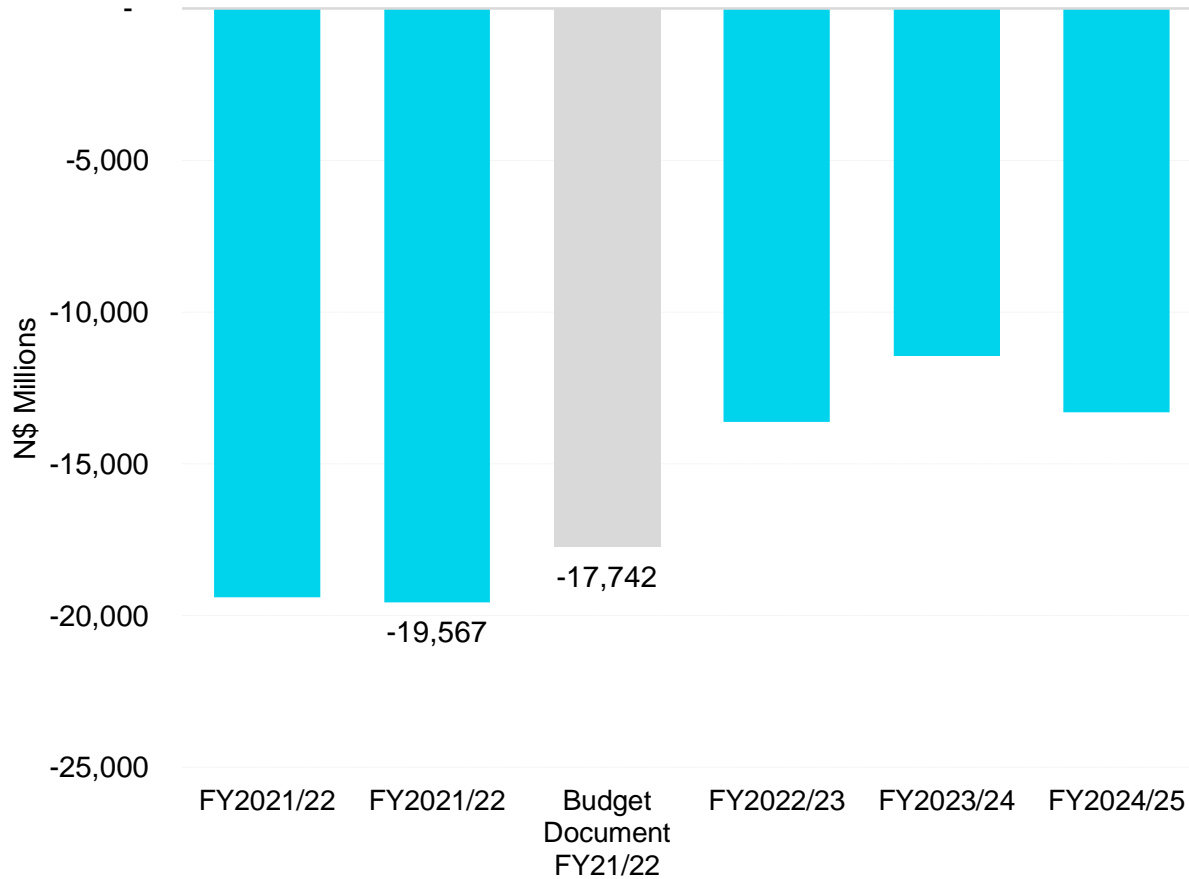
Nominal Outstanding



Borrowing requirements

Domestic Borrowing Requirement (billion)

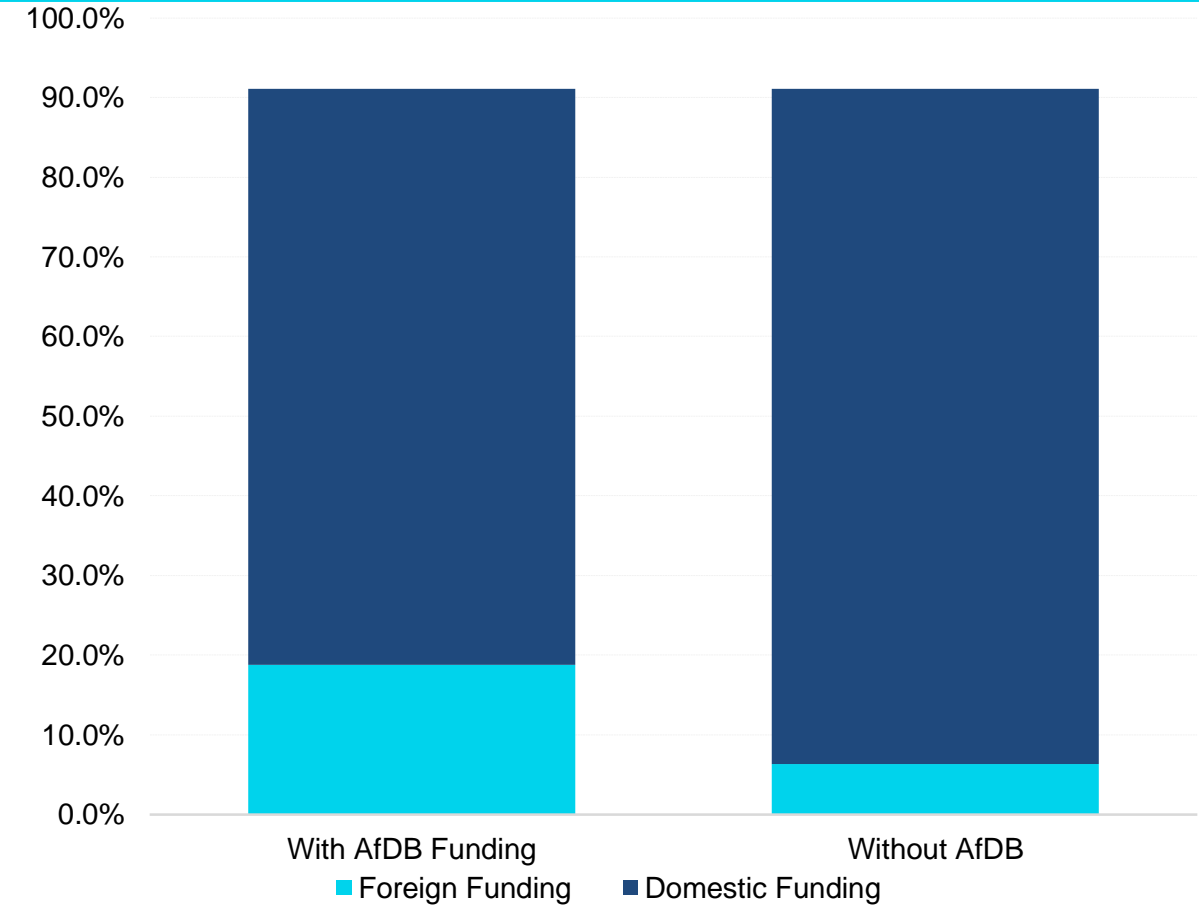
There is a N\$1.8 billion discrepancy in the revised borrowing requirement for FY '21/22.



Source: Cirrus Securities, MoF

Funding Requirement Split FY '24/25

A N\$2.0 billion AfDB COVID-19 funding line is projected, reducing the reliance of the domestic market.

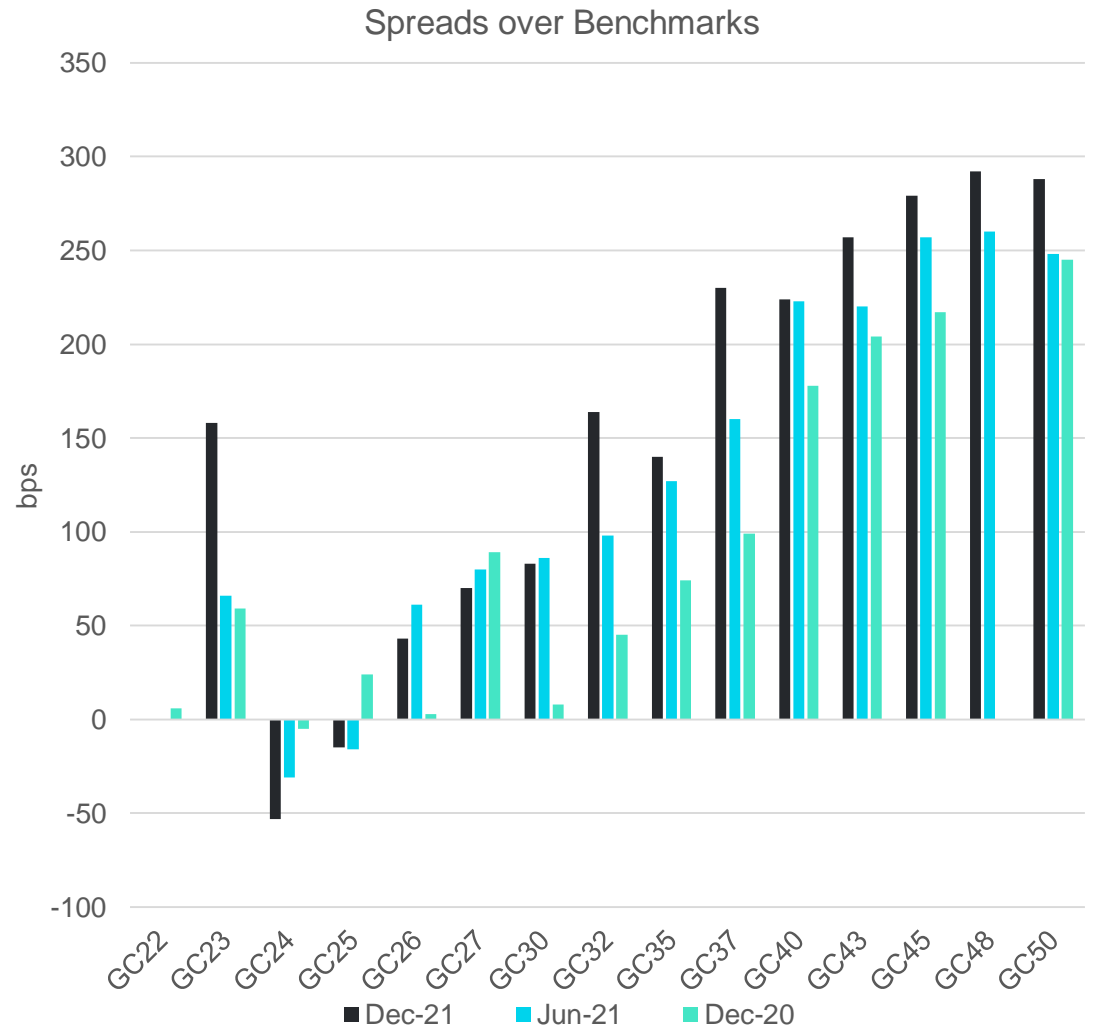
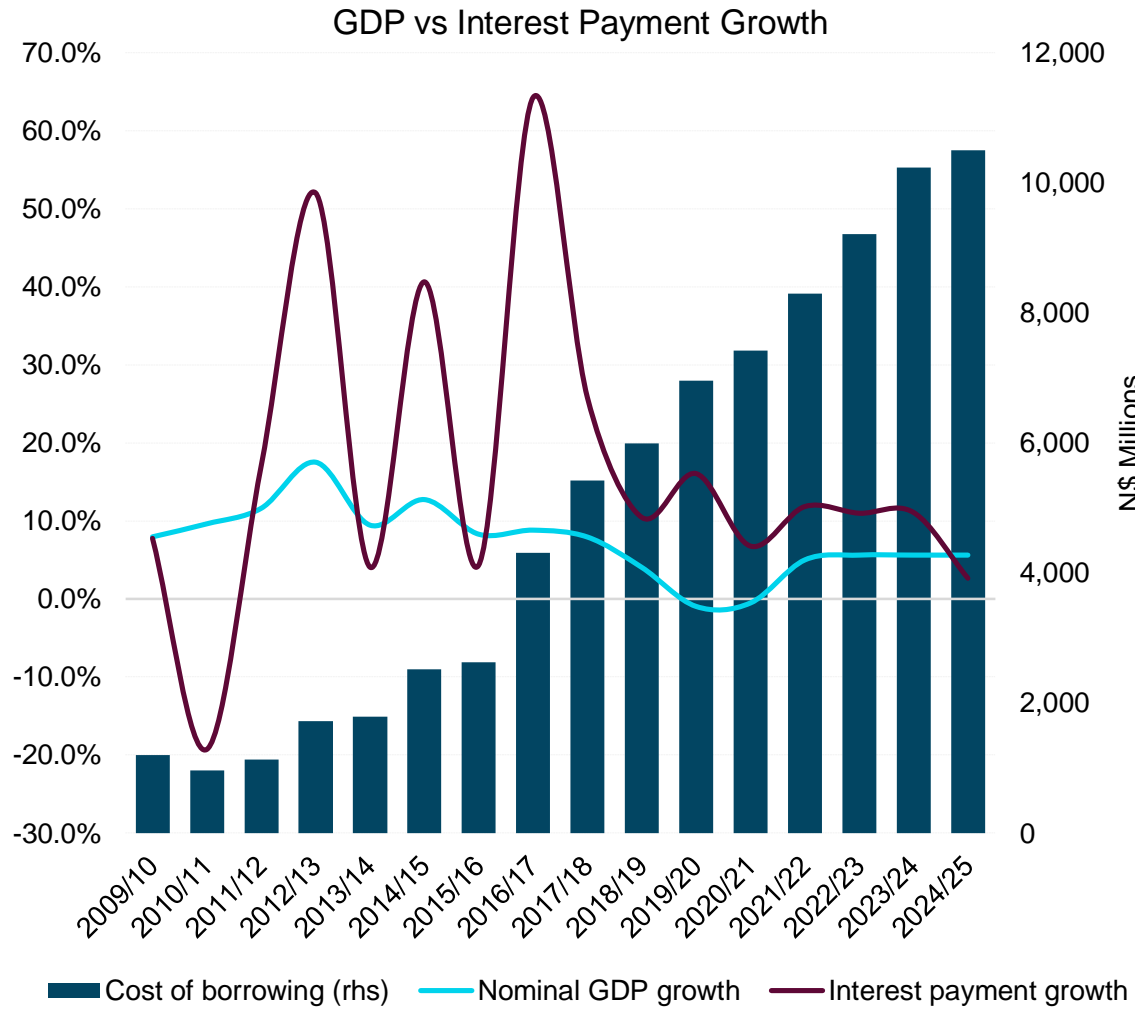


Source: Cirrus Securities, MoF

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Cost of Borrowing



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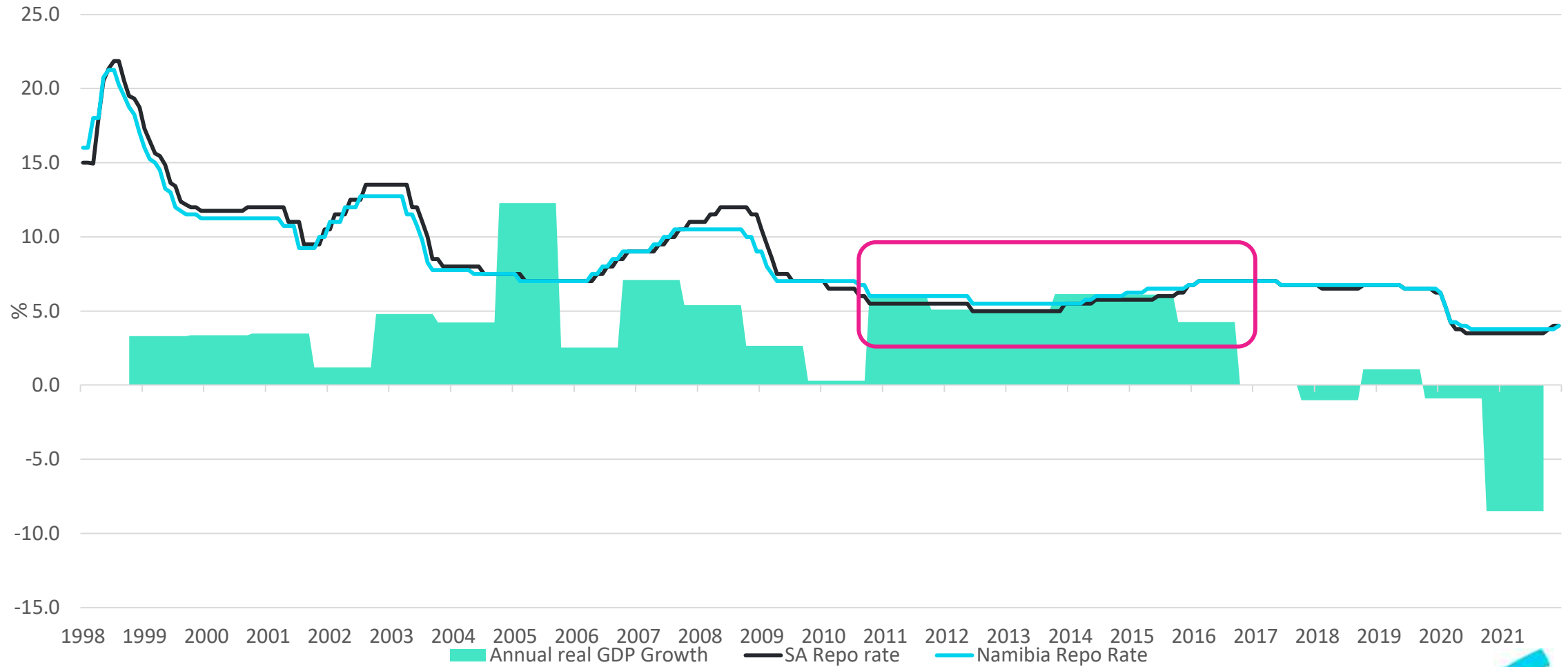




Monetary Policy



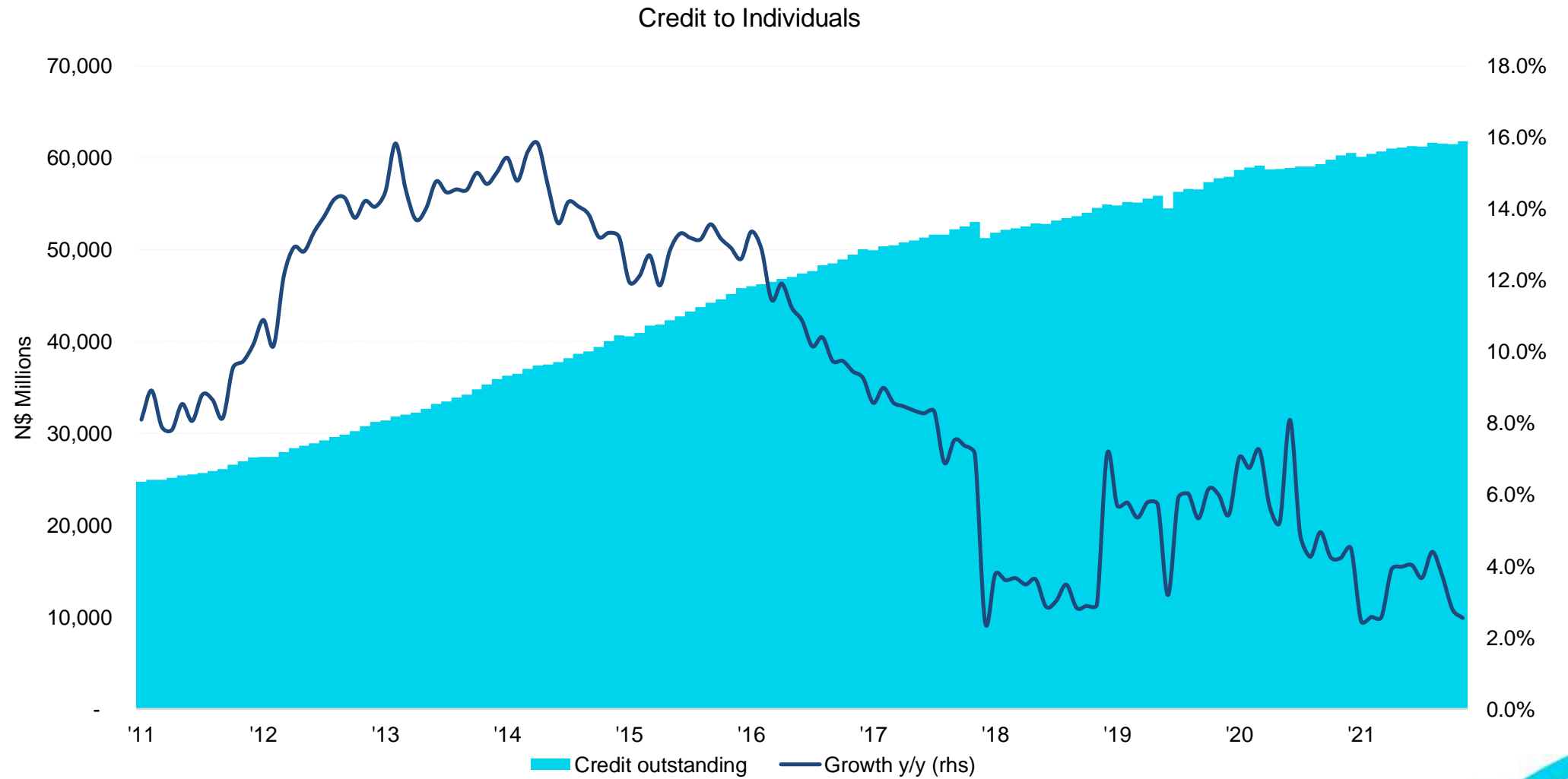
Interest rates & growth



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PSCE - Households



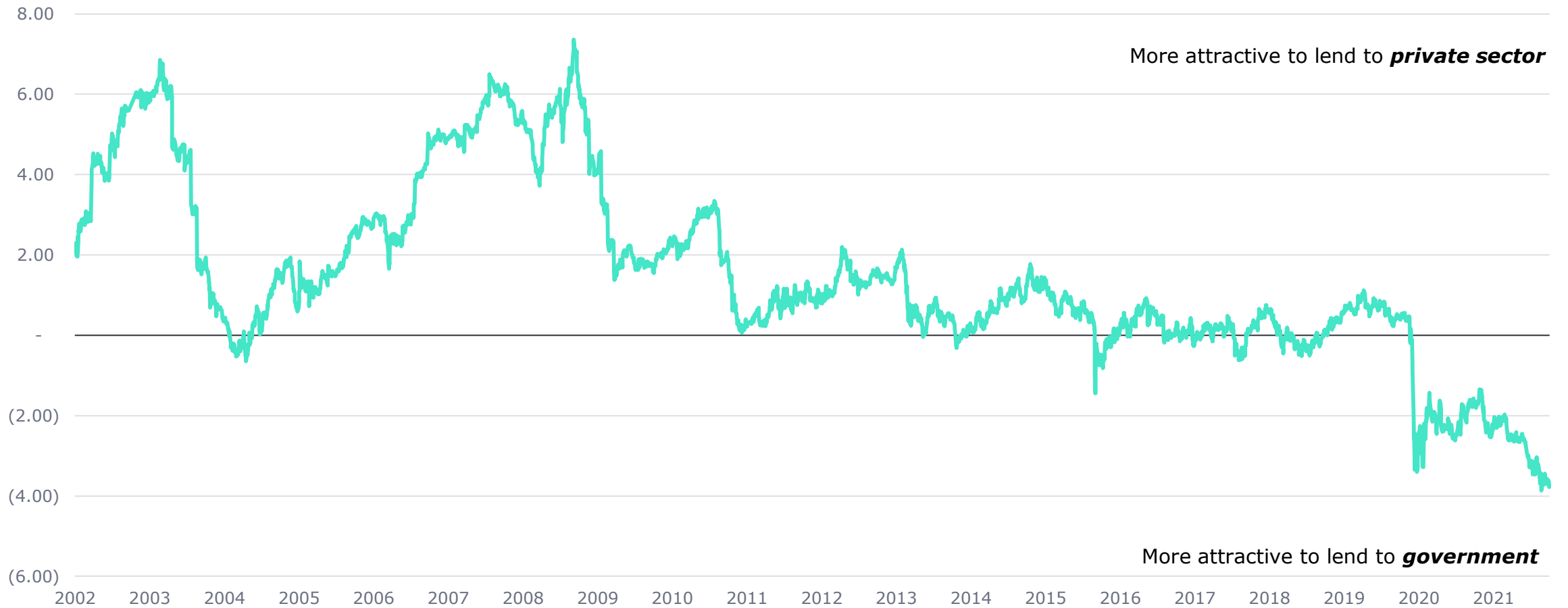
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Lending environment

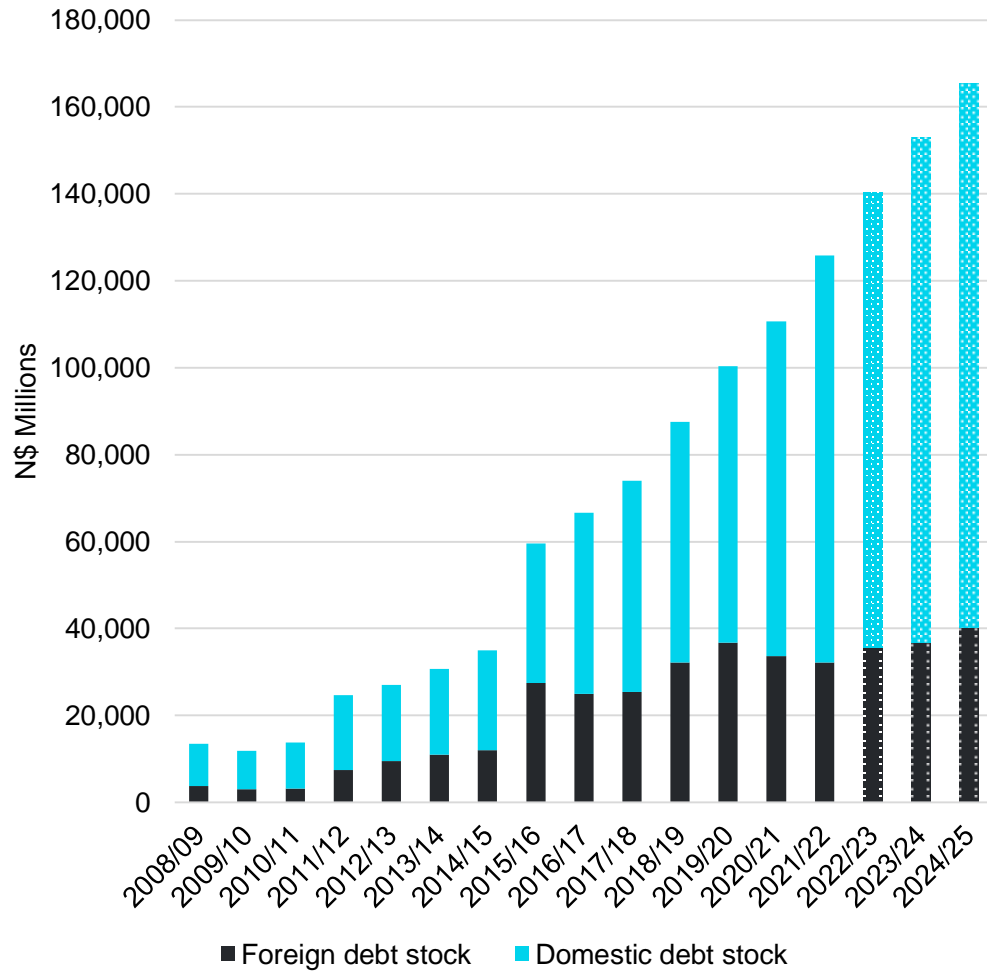
Namibian Prime Rate less 10yr government bond yield

It has never been as unattractive for banks to lend to the private sector. At present the Namibian 10yr government bond yields 3.8ppt more than the prime rate.

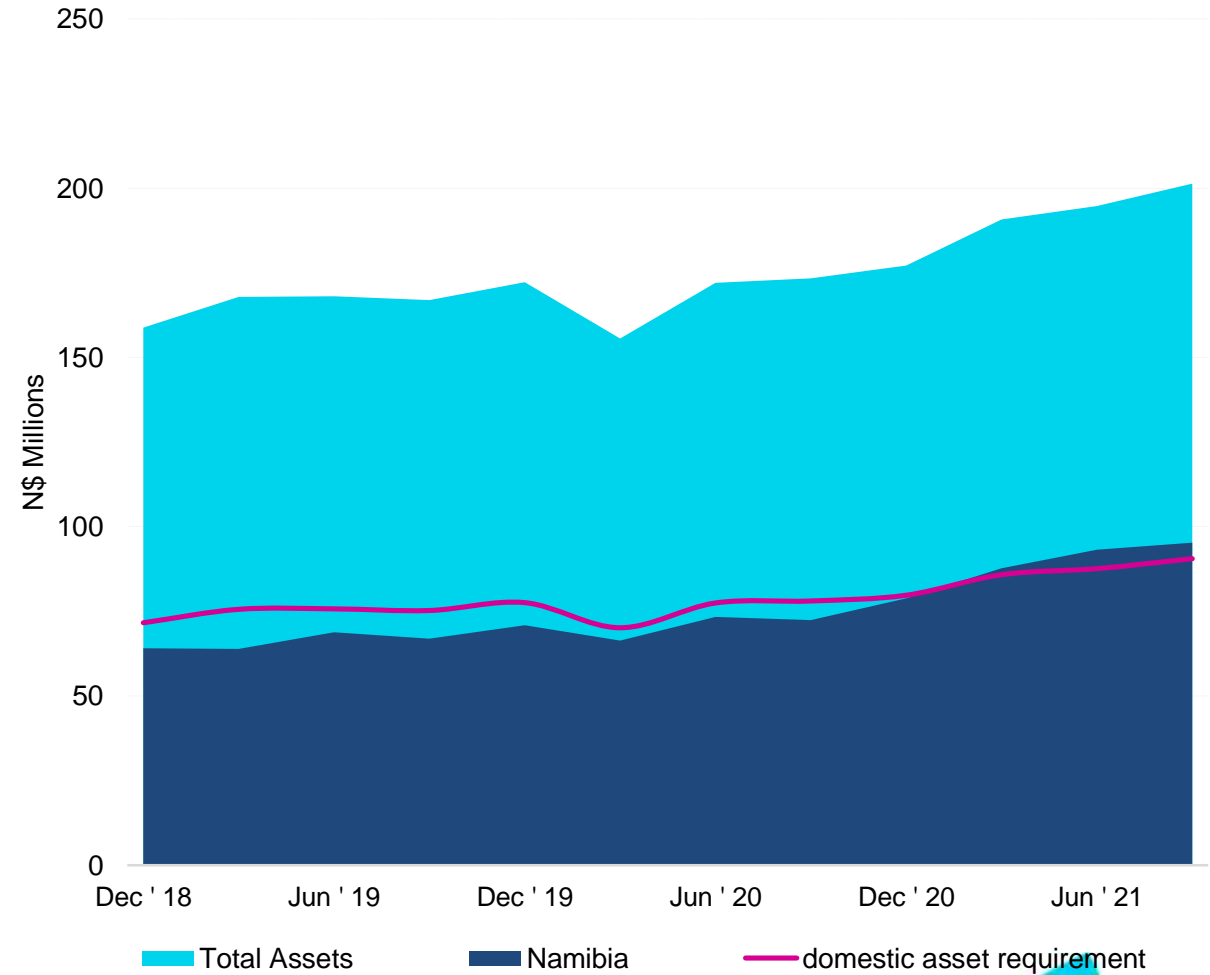


Crowding out

Debt issuance



Pension Fund Assets

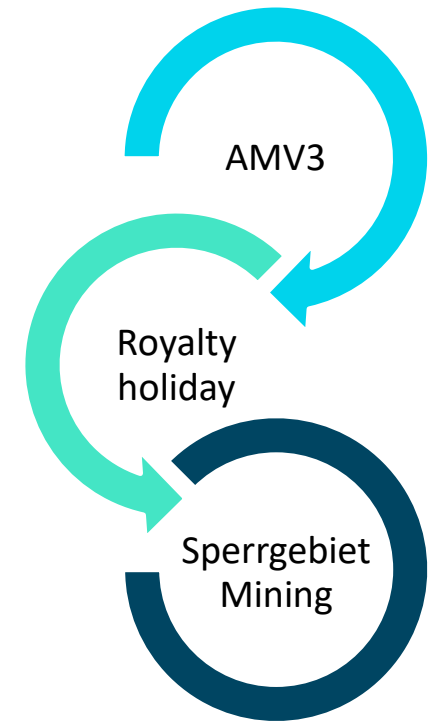
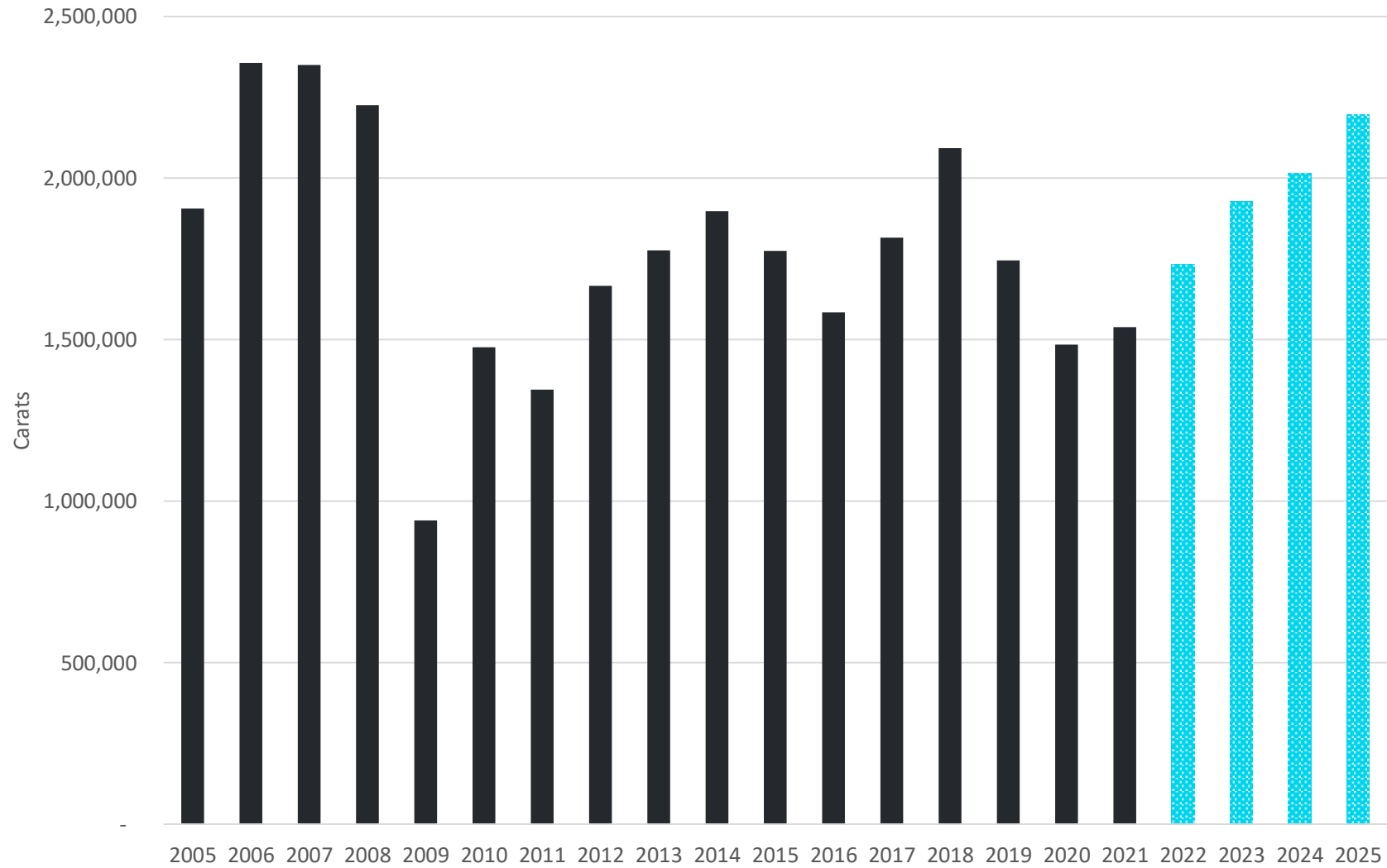




Growth Rebound?



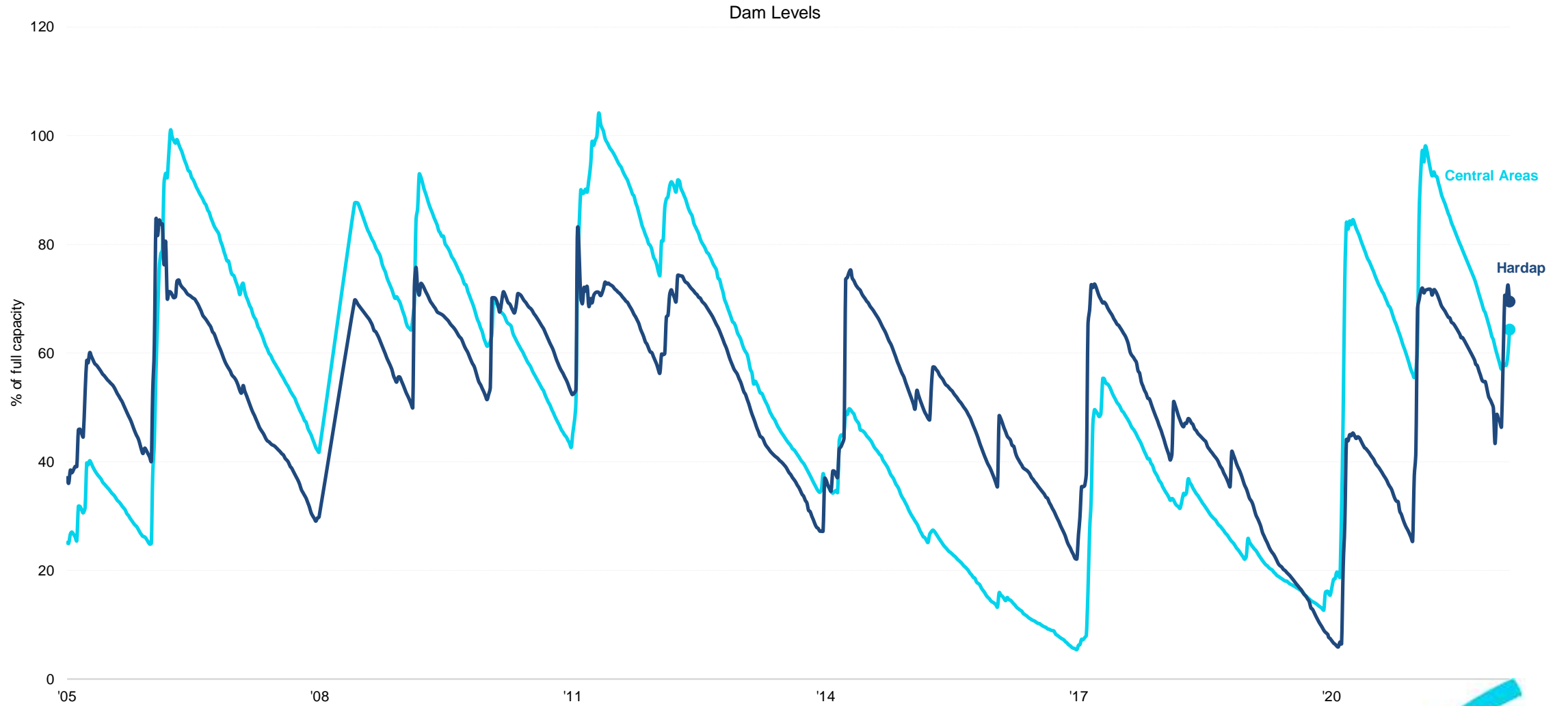
Diamonds



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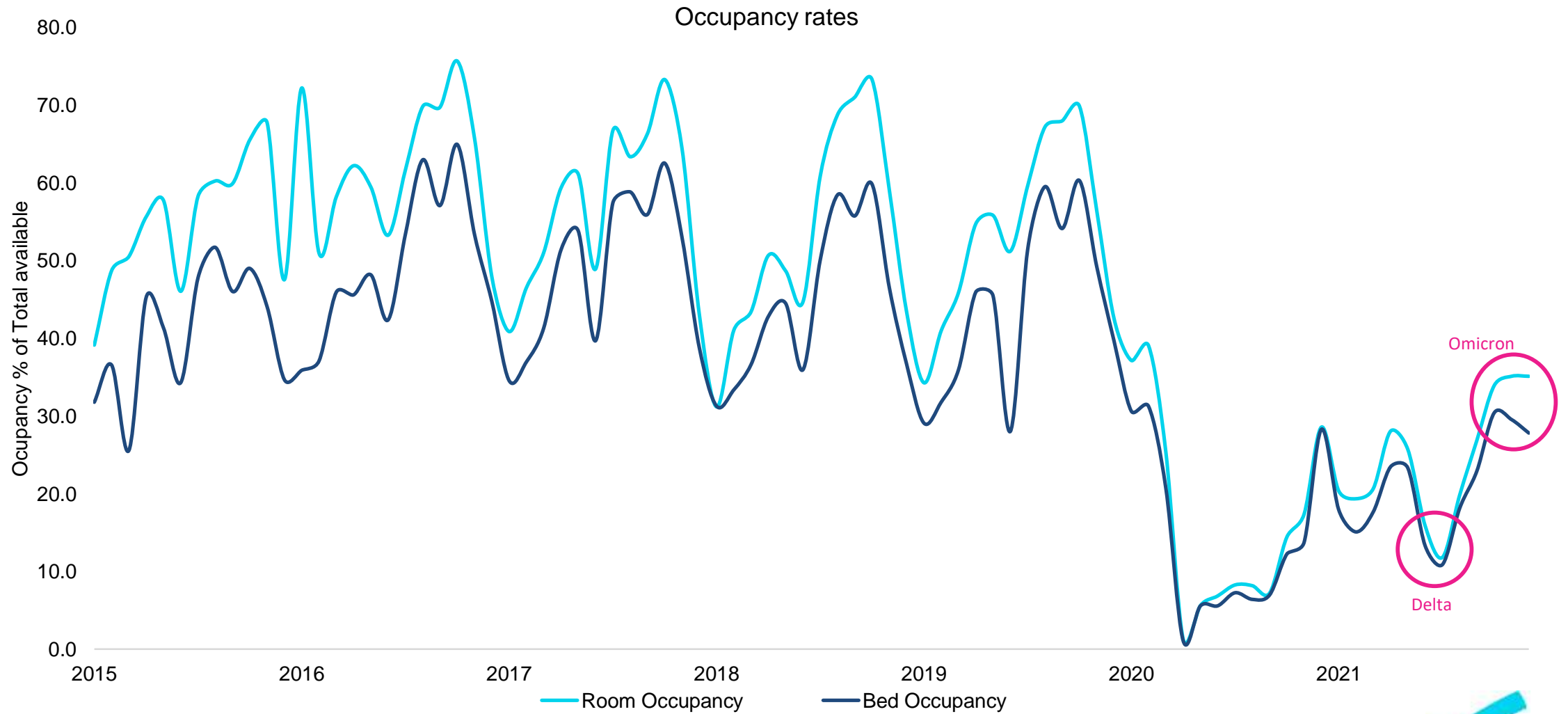
Agriculture



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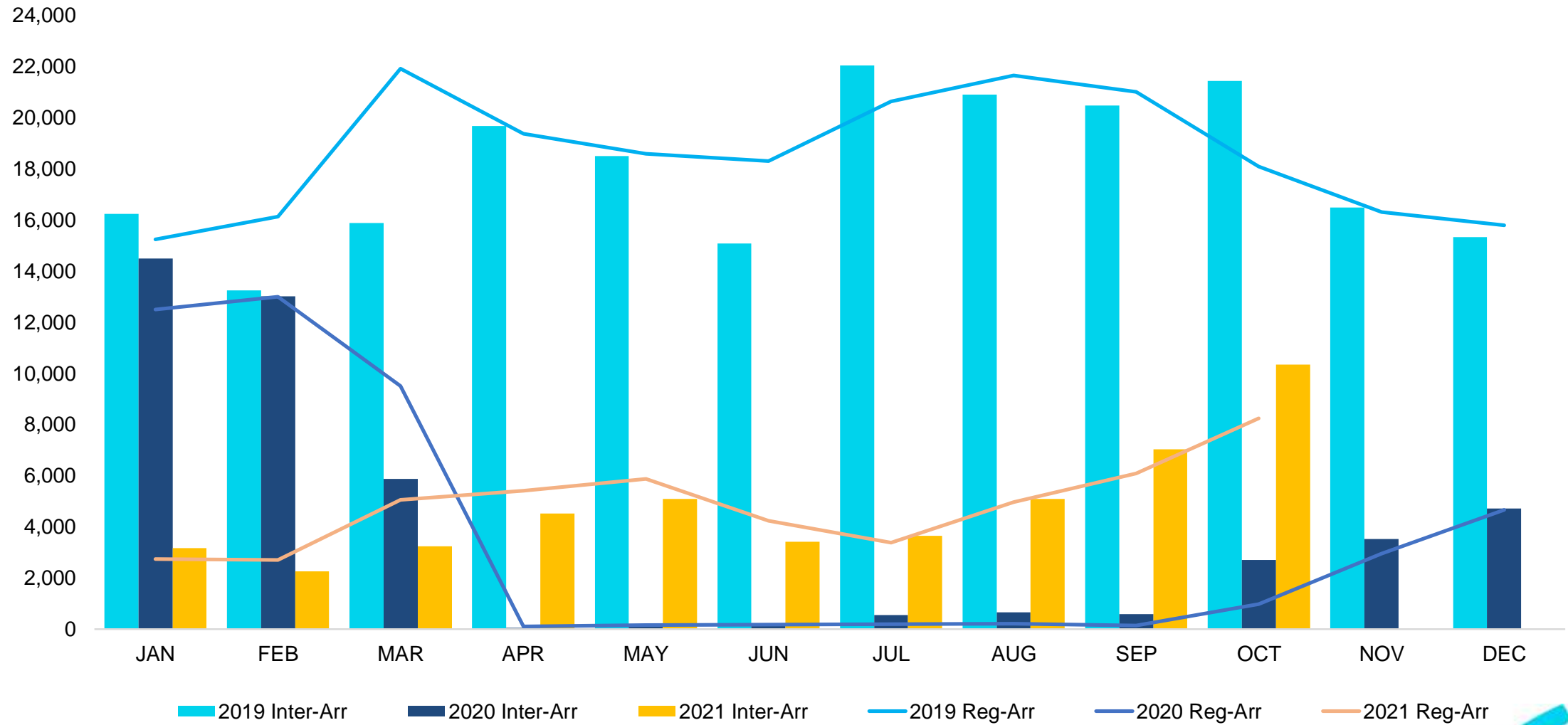
Tourism



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Airport Arrivals



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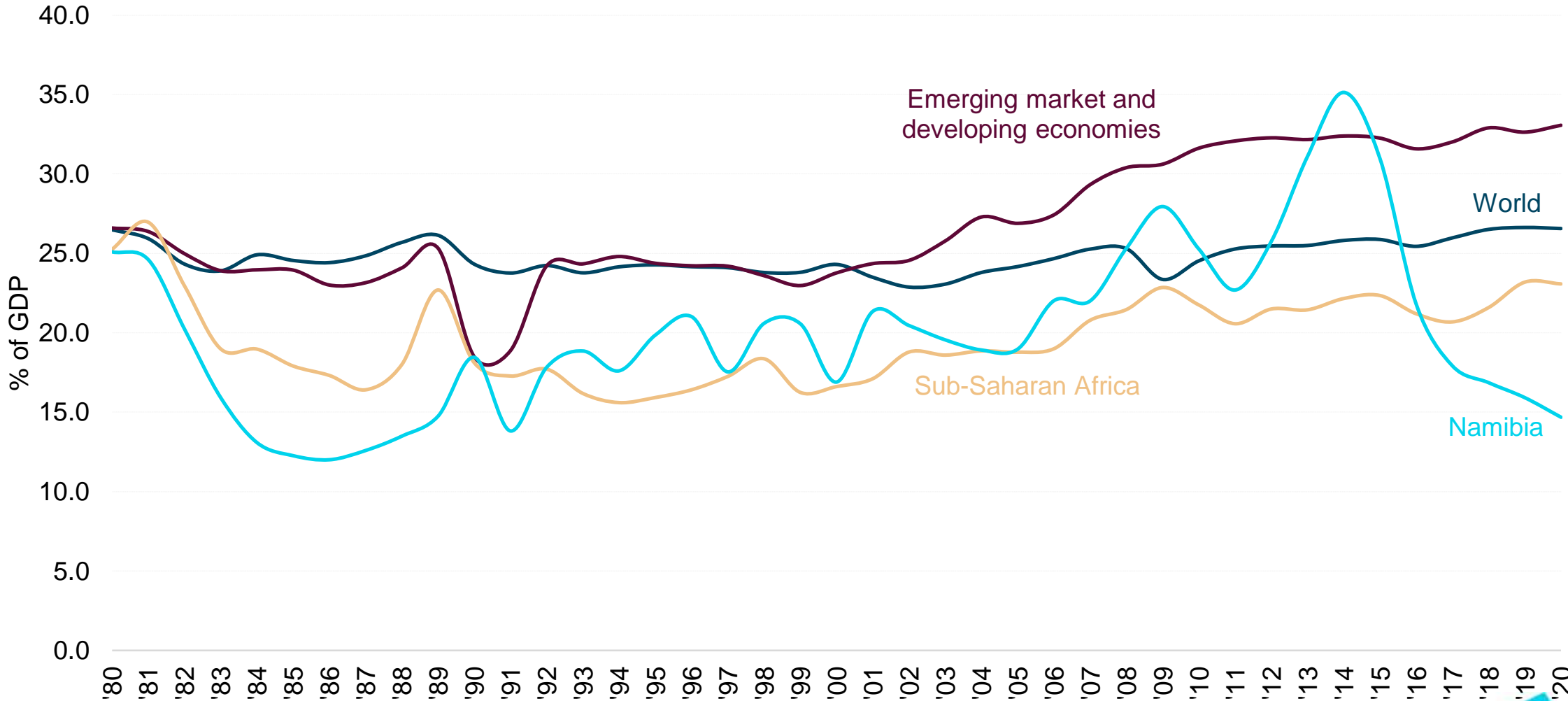




Investment



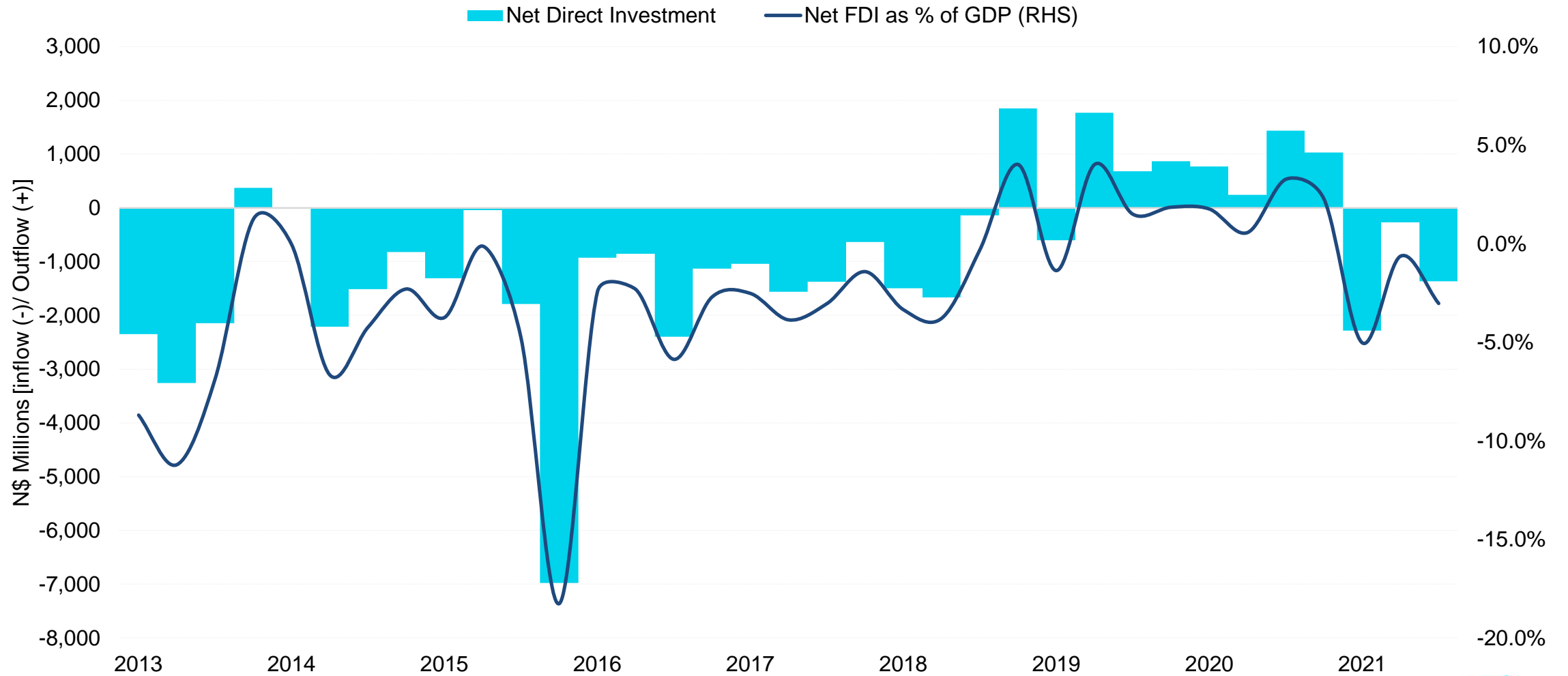
Investment (% of GDP)



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Net FDI flows



Indicators

	Angola	Botswana	Namibia	South Africa	Zambia	Zimbabwe
Corporate tax (standard)	25%	22% Manufacturing: 15% IFSC: 15%	32%	28% (reducing to 27%)	35%	24%
Dividends (domestic)	10%	7.50%	10% (imminent)	20%	20%	N/A
Average Electricity Tariff (USc/kWh) (2019)	3.17	7.26	11.51	6.60	5.20	10.00
Population size (millions)	32.9	2.4	2.5	59.3	18.4	14.9
Starting a Business Rank	146	159	165	139	117	167
Procedure (number)	8	9	10	7	7	9
Time (days)	36	48	54	40	8.5	27

Source: World Bank, PWC, SAPP



Conclusions



Overview

Fiscal

- “Balanced fiscal consolidation path”
- Growth – but good spending?

Monetary

- Pressure to hike in fragile economy
- Fiscal policy > monetary policy

Reforms – more of the same

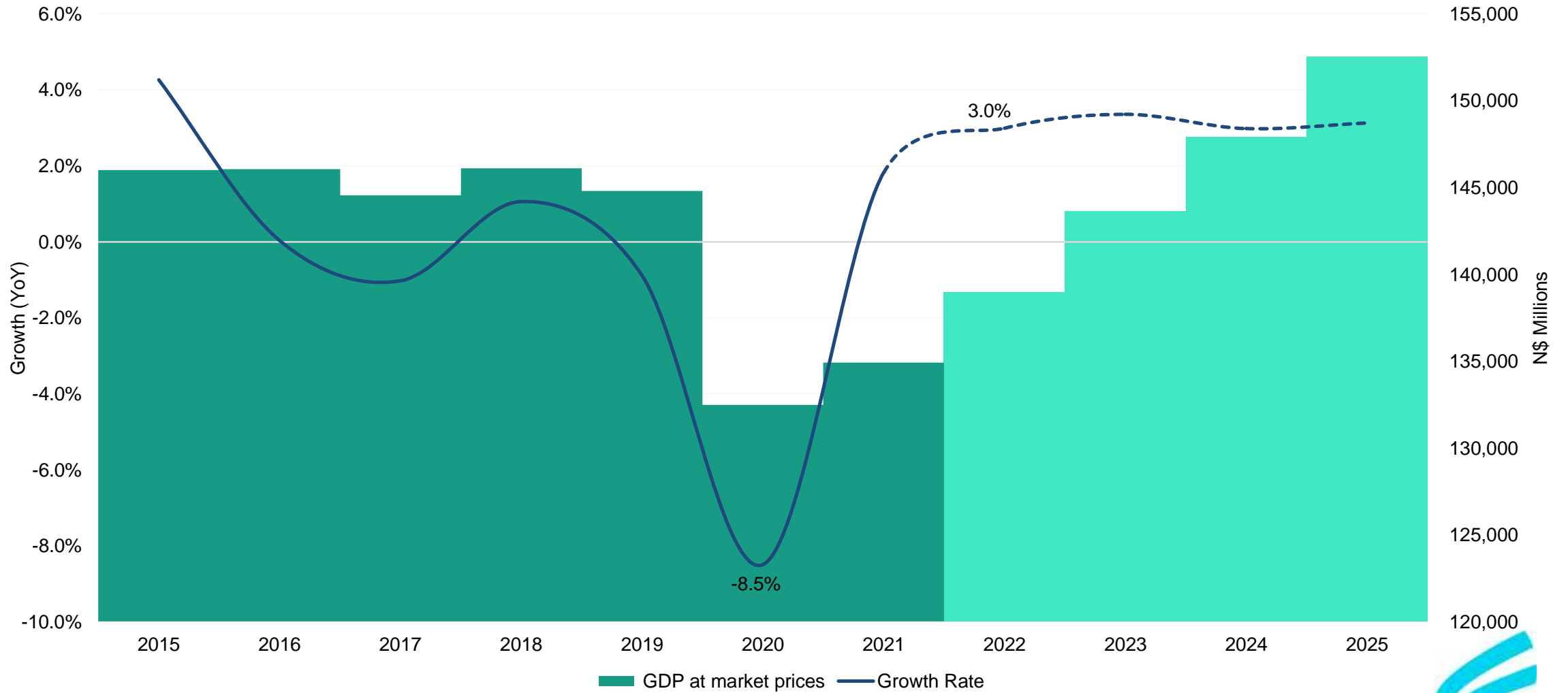
- PSEMAS ongoing
- Public sector hiring freeze (non-critical)
- SWF – N\$50m seed
- SEZ framework

Tax

- Tax the same base or grow the base?
- DWT & asset management VAT delayed
- Company tax reduction (non-mining) – considered later in MTEF
- Bracket creep – no amendment to PIT brackets
- Still waiting:
 - Pension and education policy allowable deduction increase
 - VAT –zero-rating of sanitary pads



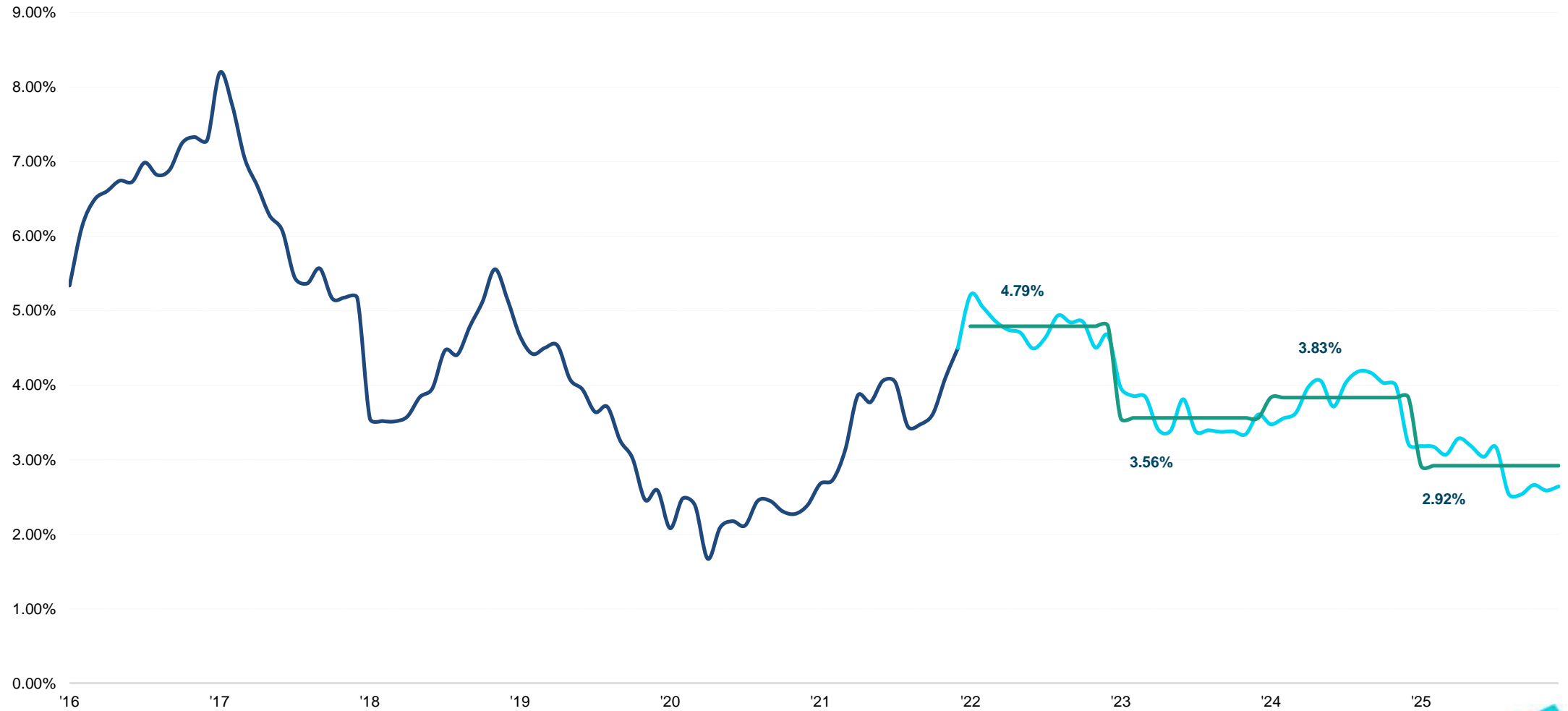
Growth Forecast



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Inflation



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C I R R U S

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