# NAMIBIA

| Table 1 | 2016 |
|---|---|
| Population, million | 2.5 |
| GDP, current US$ billion | 10.3 |
| GDP per capita, current US$ | 4083 |
| Poverty rate ($1.9/day 2011PPP terms)[a] | 22.6 |
| Poverty rate ($3.1/day 2011PPP terms)[a] | 45.7 |
| Gini Coefficient[a] | 61.0 |
| School enrollment, primary (% gross)[b] | 111.4 |
| Life Expectancy at birth, years[b] | 64.3 |

Source:World Bank WDI and Macro Poverty Outlook
Notes:
(a) Most recent value (2009)
(b) Most recent WDI value (2014)

*The pace of economic activity subsided significantly during 2016, in part as global demand for commodities remained sluggish. In the medium-term, growth is anticipated to recover gradually, reaching 4 percent by 2018, driven mostly by mining and services activities. Required fiscal consolidation is expected to continue, though the process will be highly reliant on mining sector revenues and SACU receipts. Further gains in poverty reduction are likely to be modest owing partly to high inequality and unemployment.*

## Recent developments

The Namibian economy slowed substantially in 2016, registering modest growth of 1.2 percent, contrasted with average gains of more-than 5 percent over the preceding 5 years. A slowdown is noted across all production sectors of the country, tied to still-low mineral prices, drought in the region, and the process of fiscal consolidation.

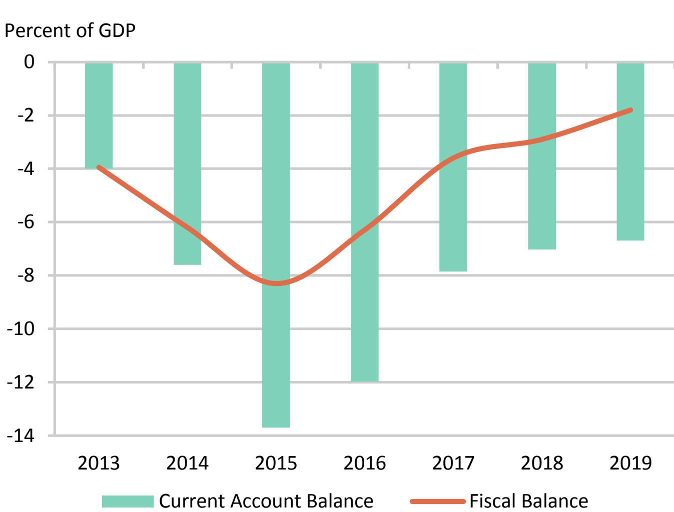
Subdued growth in the global economy and low mineral prices have affected mining activity in Namibia, delaying startup of the already-completed Husab uranium mine. This has yielded significant negative spillovers to many sectors of the economy, including external trade and public sector finance. Indeed, as the Husab mine was completed and with lack of additional mega-projects in the country, construction activity dropped significantly in 2016, contributing to the overall slowdown. Furthermore, weak economic growth among Namibia's trading partners, for example in Angola, has adversely affected most of Namibia's tertiary sector activities (transport, wholesale and retail trade and real estate activities). And the contribution from agricultural production to total value added during 2016 was negative due to drought in the region.

Expansionary fiscal policy of the previous years, together with the depreciation of the Namibian currency, resulted in a sharp increase in public debt of more than 15 percent of GDP in the last three years, exceeding the national cap of 35 percent of GDP. Moreover, deterioration of economic activity and lower revenues (mostly from mining and SACU), led to temporary financing problems for the budget in the first half of FY 2016/17. For example, in absence of interest from the private financial institutions in bidding for the government issued debt instruments, the state owned pension fund became the largest bidder on the government auctions during the second and third quarter of 2016. Consequently, little-to-no space for further fiscal expansion remained, and a necessary process of fiscal consolidation began with the mid-year budget review of October 2016. Following the review, the provisionally projected budget deficit of more-than 8 percent of GDP was reduced by two percentage points. Budget cuts have been exacted mostly on capital expenditures, and in absence of large private investment projects, resulted in contraction of overall investment activity in the country.

The current account deficit is estimated to have narrowed marginally in 2016 as a result of lower imports of machinery and equipment due to the completion of the Husab mine and due to slowdown of domestic activity. Inflation in 2016 picked up to 6.7 percent, reflecting a rapid pick-up in food prices.

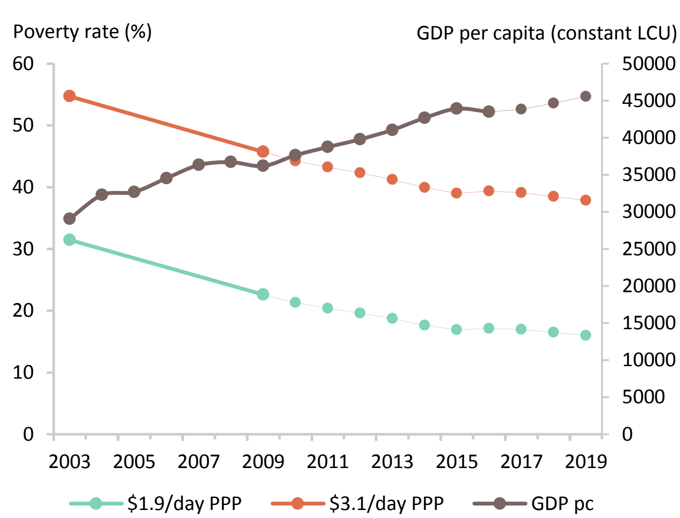
The easing of economic growth is evident in the marginal increase in poverty rates: 17.1 percent of Namibians lived below the $1.9 per day international poverty line in 2016 compared to 16.9 percent in 2015. This followed on the back of a persistent and deepening drought which curtailed

**FIGURE 1 Namibia** / Actual and projected current account and overall fiscal balance




Sources: Bank of Namibia, Ministry of Finance and World Bank staff calculations.

**FIGURE 2 Namibia** / Poverty rate and GDP per capita




Sources: World Bank calculations based on 2003 and 2009-NHIES.

agricultural production and led to rising food prices. Poverty reduction efforts continue to be dampened by high inequality rates: the consumption Gini coefficient was 0.597 in 2010. Further, high unemployment that stood at 28.1 percent in 2014, slightly down from 29.6 percent in 2013, tends to slow poverty reduction.

## Outlook

In the medium term, economic activity is expected to recover slowly, reaching GDP growth of 3 percent in 2017 and around 4 percent in the years thereafter. Near-term recovery will be driven by the expected start-up of the Husab uranium mine in 2017. Services are also expected to contribute significantly to recovery, as the Angolan economy picks up gradually; while a further boost, though with limited impact, should stem from recuperation in agricultural production.

Fiscal consolidation will continue through FY 2019/20, according to which the budget deficit is projected to narrow to less-than 2 percent of GDP. Further cuts in government spending (mostly capital) as well as a gradual increase in fiscal revenues and SACU receipts are expected to underpin this process.

The current account deficit is anticipated to compress in 2017 as a result of uranium exports from the expected start of operation at the Husab mine, and should continue to narrow gradually as the rest of mining sector production recovers. Inflation is expected to ease into the medium term notably as agricultural production rebounds and fiscal consolidation continues.

Modest-to no gain in poverty reduction is expected for 2017. Forecasts suggest that the proportion of Namibians living below $1.9 per day will fall marginally from 17.1 percent in 2016 to 16.0 percent by 2019. At the $3.1 per day poverty line, 39.1 percent of Namibians are expected to be poor in 2017, declining to 37.9 percent by 2019. Recovery in agricultural production is therefore not expected to carry a large effect on poverty reduction, especially in the near term. The U.N. Food and Agriculture Organization (FAO) indicates that- based on current conditions and weather forecasts- cereal production is expected to range below average levels in 2017. In addition, losses are still being recorded in the livestock sector, though improved vegetation conditions are expected to ease this situation. Further, although above-normal precipitation is projected for this season, there will be variation across regions.

## Risks and challenges

Namibia is highly vulnerable to shocks from the external environment. As an economy heavily dependent on commodity-exports and public sector activity, major risks stem from a weaker-than expected global recovery, principally placing downward pressure on mineral prices. For example, due to low uranium prices, there is a risk that startup of operations at the Husab mine may be postponed again. The current estimates indicate that the total valued added of the Husab mine will be between 3.5 and 4 percent of GDP annually. Lower uranium prices will reduce the capacity utilization and hence, impede exports and GDP growth. Persistent economic management challenges in South Africa (as reflected by the recent downgrade of long term foreign currency denominated debt to speculative), would result in lower growth and SACU revenues, inhibiting fiscal consolidation.

Over the longer-term Namibia faces important challenges in diversifying its economy and broadening economic opportunity. Some of the policy priorities for more inclusive growth should include improving access-to and quality-of education, and addressing significant labor market rigidities.

**TABLE 2 Namibia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2014 | 2015 | 2016 e | 2017 f | 2018 f | 2019 f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 6.5 | 5.3 | 1.2 | 3.0 | 4.0 | 4.2 |
| Private Consumption | 4.4 | 2.8 | 1.2 | 1.8 | 2.3 | 2.5 |
| Government Consumption | 4.8 | 9.9 | -2.6 | -1.4 | -0.3 | -0.2 |
| Gross Fixed Capital Investment | 32.8 | 9.8 | -3.2 | -0.1 | 6.5 | 7.4 |
| Exports, Goods and Services | 3.5 | -11.4 | 2.0 | 10.0 | 5.5 | 5.0 |
| Imports, Goods and Services | 16.8 | -2.6 | -2.5 | 2.0 | 3.0 | 3.3 |
| **Real GDP growth, at constant factor prices** | 6.3 | 4.5 | 1.2 | 3.0 | 4.0 | 4.2 |
| Agriculture | 5.5 | -7.4 | -4.0 | 3.5 | 4.0 | 4.3 |
| Industry | 3.4 | 5.3 | -2.2 | 7.1 | 5.8 | 5.8 |
| Services | 7.8 | 5.5 | 3.3 | 1.1 | 3.2 | 3.4 |
| **Inflation (Consumer Price Index)** | 5.4 | 3.4 | 6.7 | 5.8 | 5.3 | 5.1 |
| **Current Account Balance (% of GDP)** | -8.9 | -14.3 | -12.0 | -7.9 | -7.0 | -6.7 |
| **Financial and Capital Account (% of GDP)** | 10.0 | 15.4 | 13.1 | 9.0 | 8.2 | 7.9 |
| Net Foreign Direct Investment (% of GDP) | 3.9 | 3.9 | 3.9 | 4.0 | 4.1 | 4.1 |
| **Fiscal Balance (% of GDP)**[d] | -4.0 | -7.0 | -6.3 | -3.6 | -2.9 | -1.8 |
| **Debt (% of GDP)** | 25.3 | 38.1 | 42.3 | 42.5 | 42.8 | 43.0 |
| **Primary Balance (% of GDP)**[d] | -2.6 | -5.5 | -3.9 | -1.0 | -0.2 | 0.1 |
| **Poverty rate ($1.9/day PPP terms)**[a,b,c] | 17.6 | 16.9 | 17.1 | 16.9 | 16.5 | 16.0 |
| **Poverty rate ($3.1/day PPP terms)**[a,b,c] | 39.9 | 39.0 | 39.3 | 39.1 | 38.5 | 37.9 |

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice, and Poverty Global Practice.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2003-NHIES and 2009-NHIES.
(b) Projection using annualized elasticity (2003-2009) with pass-through = 1 based on GDP per capita in constant LCU.
(c) Nowcast: 2014 - 2016. Forecast are from 2017 to 2019.
(d) Fiscal year starts from April 1st.