

State of the Namibian Economy 2023

A Fork in the Road

IPPR

State of the Namibian Economy: The Story So Far



Waiting for Namibia's Great Leap Forward
State of the Namibian Economy 2022
Robin Sherbourne
28 September 2022

namibian economics

State of the Namibian Economy: How We Got Here and Where We Are Going on 28 September 2022 made three points:

1. Since 2016 economic performance has been poor – why?

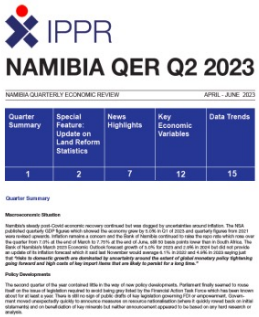
2. Because economic policy-making design and implementation has been poor with economic considerations relegated to political and ideological ones (amply documented in "Guide to the Namibian Economy")

3. Two major developments on the horizon - oil and gas as well as green hydrogen – with potential to shift economic dial (hence "great leap forward")

IPPR

State of the Namibian Economy 2023

- Review latest economic indicators
- Review key events since last presentation
- Review policy developments
- Look ahead to coming year


IPPR

NAMIBIA QER Q2 2023

NAMIBIA QUARTERLY ECONOMIC REVIEW APRIL - JUNE 2023

Quarter Summary	Special Feature: Update on Land Reform Statistics	News Highlights	Key Economic Variables	Data Trends
1	2	7	12	15

Quarter Summary

Macroeconomic Situation

Namibia's steady post-Covid economic recovery continued but was dogged by uncertainties around inflation. The NSA reported GDP growth of 4.1% year-on-year in the first quarter of 2023 (Q1 2023) while the unemployment rate (Q1 was modest upwards. Inflation remains a concern and the Bank of Namibia continued to raise the repo rate which now over the quarter from 7.0% at the end of March to 7.75% at the end of June, still 50 basis points lower than in South Africa. The Bank of Namibia's March 2023 Economic Outlook forecast growth of 5.0% for 2023 and 4.0% in 2024 but did not provide an update of its inflation forecast which it said last November would average 6.1% in 2023 and 4.9% in 2024 saying just *"Given the uncertainty around the inflation outlook, the Bank will continue to monitor monetary policy tightening going forward and high costs of key import items that are likely to persist for a long time."*

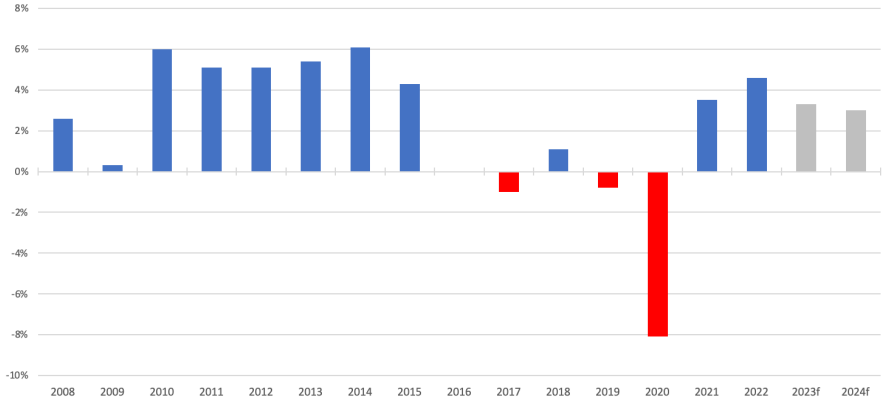
Policy Developments

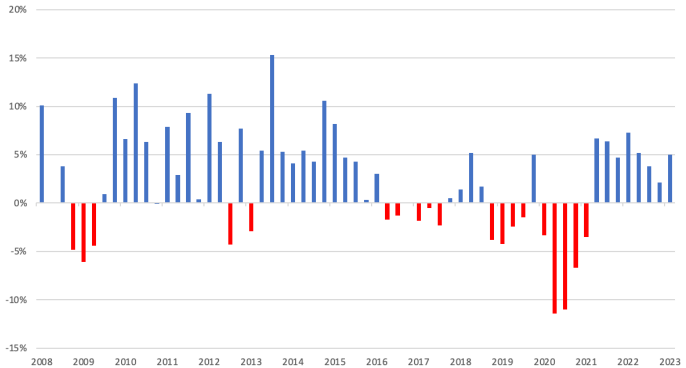
The second quarter of the year contained little in the way of new policy developments. Parliament finally seemed to move itself on the issue of legislation required to avoid being grey-listed by the Financial Action Task Force which has been known about for at least a year. There is still no sign of public drafts of key legislation governing FDI or empowerment. Government seemed unexpectedly quickly to announce measures on resource nationalisation (where it quickly moved back on initial statements) and on beneficiation of key minerals but neither announcement appeared to be based on any hard research or analysis.

Information contained in IPPR QERs: Q3 2022 (global economic developments); Q4 2022 (government debt); Q1 2023 (electricity supply); Q2 2023 (land reform statistics)

IPPR

Economic Indicators: Growth

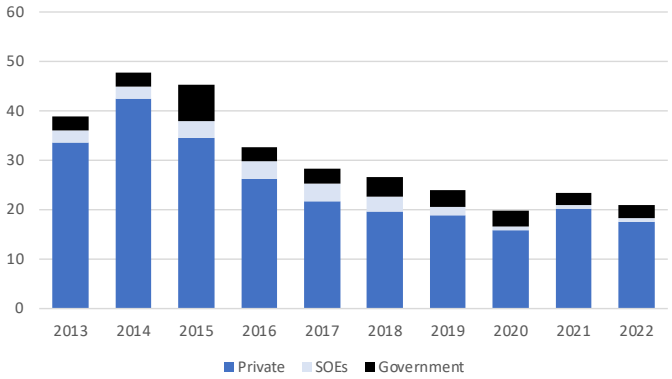


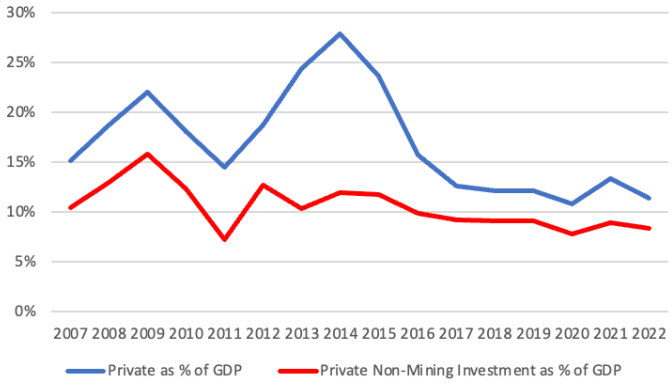


Almost recovered from Covid hit (“Year of Revival”) with modest growth ahead

IPPR

Economic Indicators: Investment

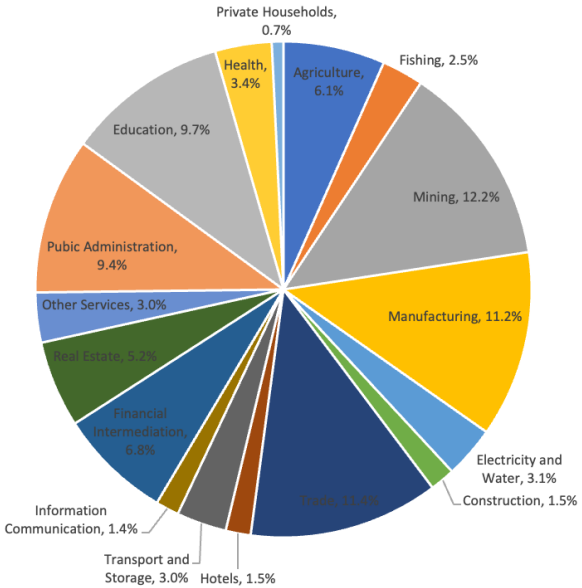




Still in doldrums – but why?

IPPR

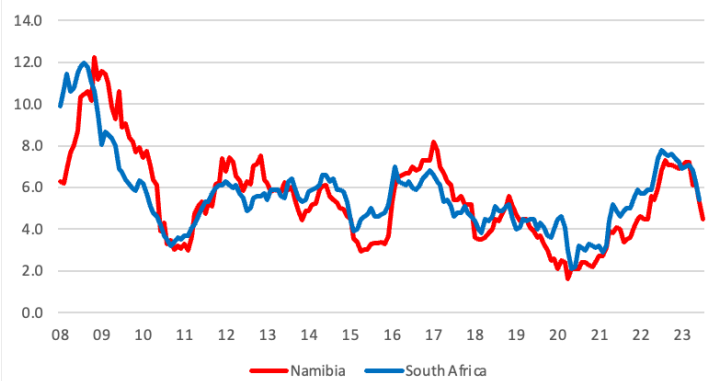
Economic Indicators: Structural Change

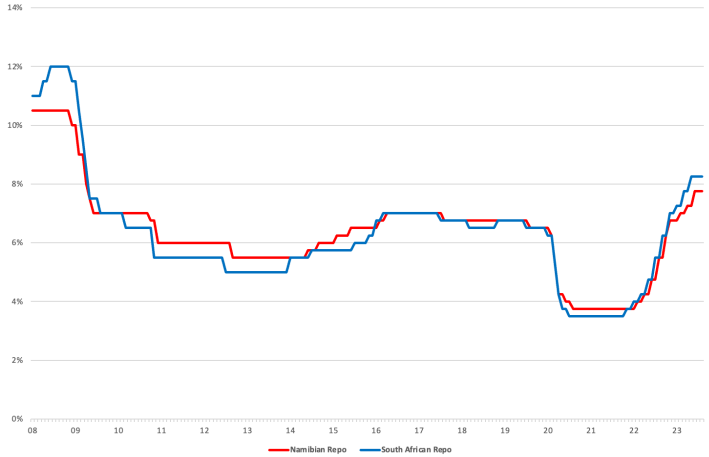


With limited investment and growth virtually no structural change

IPPR

Economic Indicators: Monetary Policy



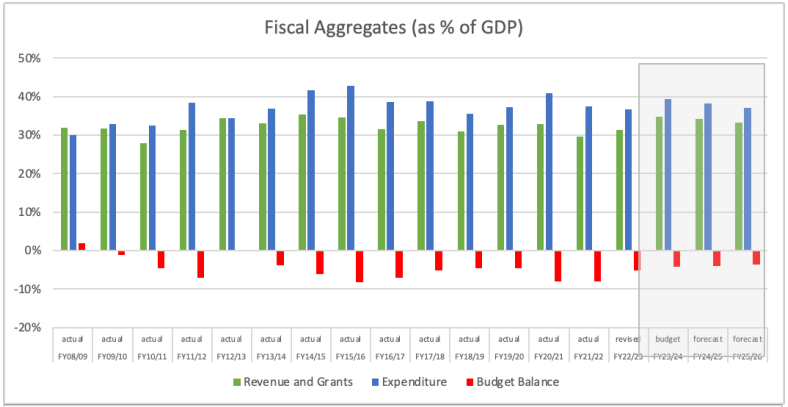


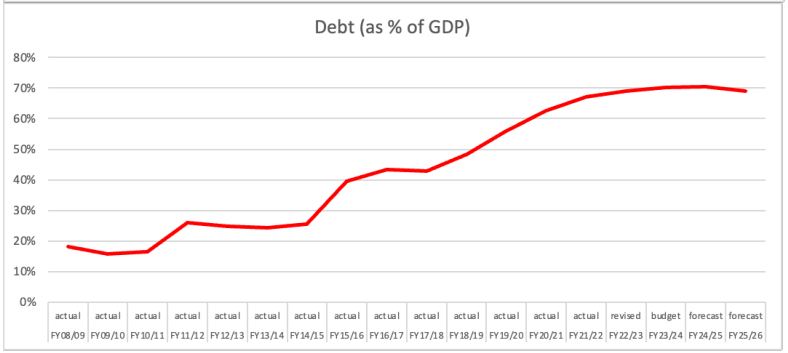
Inflationary pressures rose after Covid and Russia's full-scale invasion of Ukraine and central banks have had to respond with higher interest rates.

SA inflation is now back within its target band of 3%-6% and Bank of Namibia forecasting inflation to average 5.6% in 2023

IPPR

Economic Indicators: Fiscal Policy

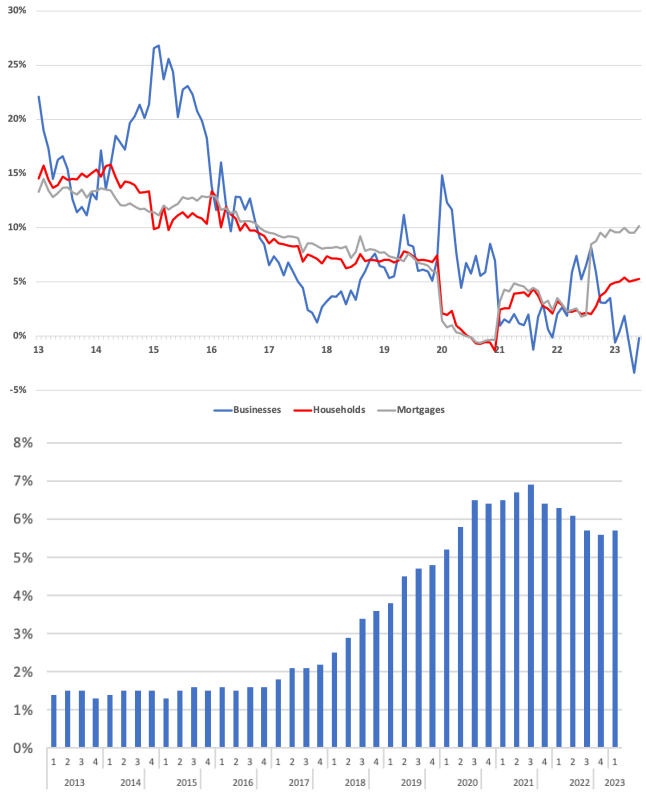




Government is trying to stabilise debt without attempting any serious public sector reform

IPPR

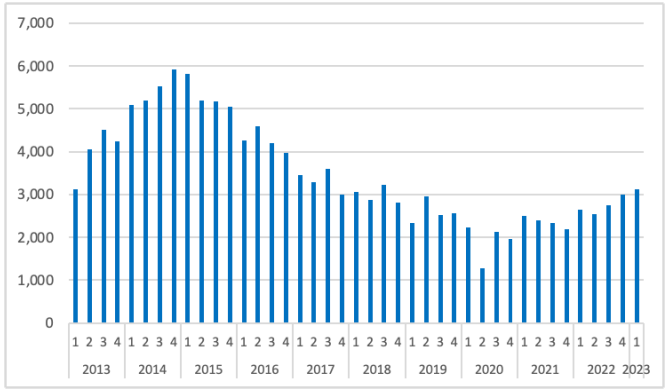
Economic Indicators: Credit and Banking

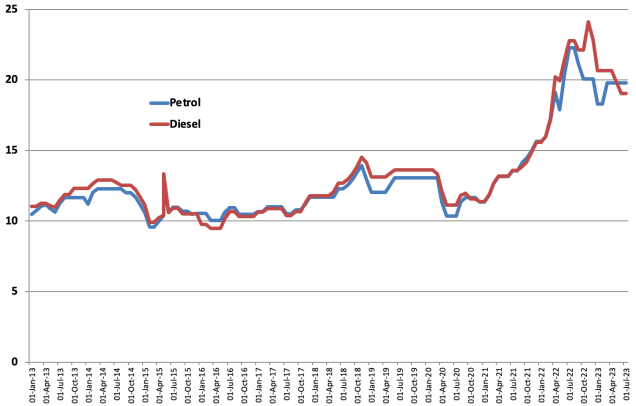


Credit growth is extremely sluggish and bank Non-Performing Loans (NPLs) high by historical standards

IPPR

Economic Indicators: Other Indicators

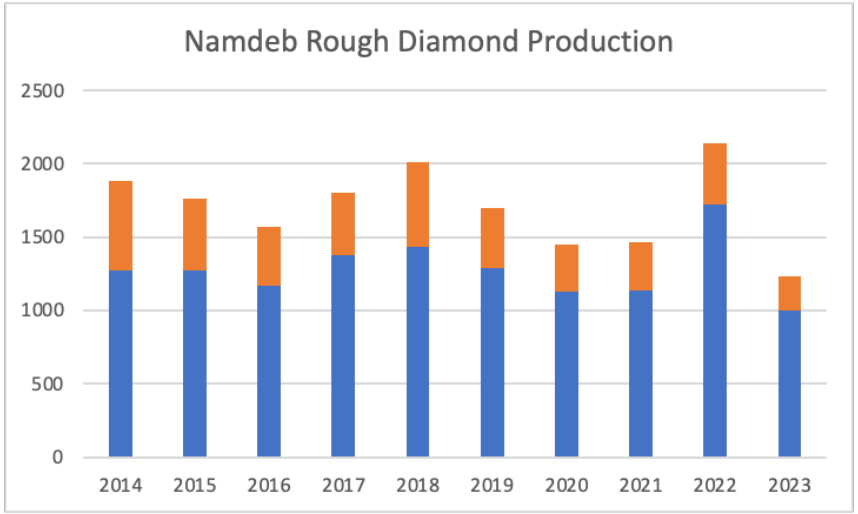




Vehicle sales slowly recovering and petrol and diesel prices have stabilised

IPPR

Economic Indicators: Diamonds



Benguela Gem really making a difference to rough diamond production….but cutting and polishing?

IPPR

Highlights 1 October 2022 – 22 August 2023

Date	Good	Bad	Hard to Say
10 October			RioZim buys SDM
12 October	NIPDB launches Digital Nomad Visa		
17 October	TIL selected for Namport container port		
25 October	MTBR tries to stabilise debt		
28 October	NIPDB launches One Stop Shop		
7 November	Synthetic Fuels Strategy launched		
8 November			Namibia signs strategic partnership with EU

IPPR

Highlights 1 October 2022 – 22 August 2023

Date	Good	Bad	Hard to Say
28 November			Nandi-Ndaitwah elected Vice President of SWAPO
10 December		Fitch reaffirms sovereign credit rating at BB- stable	
19 December			Trevali sells Rosh Pinah to Appian
29 December	MAWLR refuses water extraction to One Uranium		
1 January	President declares 2023 “Year of Revival”		
22 February	National Budget tabled which stablises debt		
28 February	Rossing extends life of mine to 2036		

IPPR

Highlights 1 October 2022 – 22 August 2023

Date	Good	Bad	Hard to Say
3 March	Shell announces third discovery at Jonker-1		
30 March		Namcor chair denies drug charges	
5 April		Namibia drops to 8th on Ibrahim Governance Index	
18 April	NamPower and CERIM sign PPA for 50MW wind plant		
19 April		Peugeot files lawsuit against Government	
26 April			Heineken completes purchase of NBL
3 May	Namibia reclaims top spot in Africa on press freedom		

IPPR

Highlights 1 October 2022 – 22 August 2023

Date	Good	Bad	Hard to Say
11 May	Namibia ranked 38th out of 62 in Fraser Mining Index		
12 May		ECB announces electricity tariff hike of 8.97%	
26 May	Government and Hyphen sign Feasibility and invesment Agreement (FIA)		
1 June	Government clarifies that it will not grab resource stakes		
2 June		Fitch affirms BB- stable credit rating	
8 June			Government announces ban of unprocessed minerals

IPPR

Highlights 1 October 2022 – 22 August 2023

Date	Good	Bad	Hard to Say
12 June	Equiano cable goes live in Namibia		
21 June			Government confirms 24% stake in Hyphen project
30 June	Namibia passes legislation to avoid grey listing		
11 July	Shell makes fourth discovery		
19 July		UK revokes visa free travel for Namibians	
25 July	ACC clears suspended CEO of corruption		

IPPR

Policy Developments

- Grey listing avoided (hopefully)
- Namibian Investment Promotion and Facilitation Bill (confused consultation)
- National Equitable Economic Empowerment Bill (with legal drafters)
- New Minerals Act (with legal drafters)
- Green Hydrogen legislation (in pipeline)
- Special Economic Zones (with legal drafters)
- Public Enterprise reform (gone quiet)
- Welwitschia Sovereign Wealth Fund (final draft available)
- Extractive Industries Transparency Initiative membership (awaiting report)
- Census (18 Sept-3 Nov) results (preliminary)

IPPR

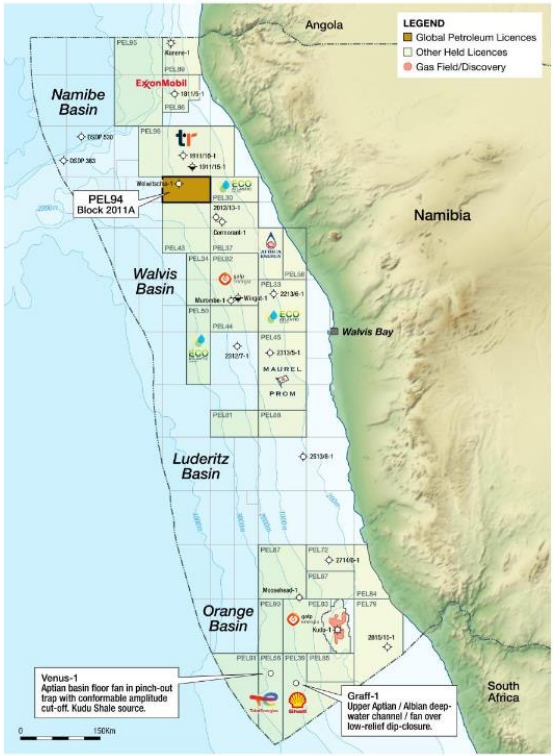
Policy Developments

A few words about investment framework:

1. Ministerial discretion (Fishrot) – clear rules better!
2. Ministers and business (PE enterprises) – let business run business!
3. Politicisation and bureaucratisation of business – keep politics out of business!
4. Business has to be dynamic to be successful – who can foresee the future?
5. Uncertainty and delay creates costs – delay since 2016 has already cost us
6. Big boys can look after themselves?

IPPR

Oil and Gas Summary



Key oil and gas points:

1. Door closing on new oil and gas projects (IEA 2021)
2. Shell and TotalEnergies recent discoveries look big (11 billion barrels Wood McKenzie – top 15?)
3. Orange Basin technically challenging (far from shore and deep under ocean)
4. Gas as well as oil (and BW Energy's Kudu)
5. Oil faster than gas but onshore gas potential (Qatar)
6. Limited jobs but significant revenues to Government
7. Could be a blessing but depends on how resource is managed – resource curse

IPPR

Green Hydrogen Summary

- Hyphen (Phase 1: end 2027 and Phase 2: 2029)
- Cleanergy (end Q1 2024)
- HDF (“by 2025”)
- Enersense – Dâures (Phase 1 Q2 2024 then Phases 2-4)
- Kaoko Green Energy Solutions (with AW-Energy)
- Fortescue Future Industries (SCDI and Dâures)
- HyIron (Oshivela “late 2024”)
- HopHydro
- Chiffon

The Coming Year…

- Global developments (especially Russian invasion of Ukraine, Chinese economy, “friendshoring”, energy security and climate policies)
- Possible monetary and fiscal easing in Namibia
- Progress on Hyphen and Cleanergy demonstration plant (Dâures and HDF?)
- Progress with NamPower projects (BESS, Annixas II, Otjikoto biomass, Khan solar, Lüderitz wind
- Reopening of Langer Heinrich (early 2024)
- Further oil and gas drilling and appraisal but FID?
- Possibility of further government borrowing (“presource curse”)
- SA elections in 2024 and Namibian elections at the end of 2024

IPPR

To Sum Up

- Economy almost recovered from Covid hit
- Relaxation after fiscal and monetary tightening
- No significant public sector reform in sight
- Continued drilling for oil and gas
- Progress on green hydrogen
- Slow progress on power
- Continued uncertainty over investment environment
- Our fork in the road

IPPR