

Will It Be The Economy Stupid?

State of the Namibian Economy 2024

by

Robin Sherbourne

29 August 2024

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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")

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State of the Namibian Economy: The Story So Far



State of the Namibian Economy: A Fork in the Road made three points:

1. The economy had almost recovered from Covid

2. Slow and confused policy development in advance of massive foreign investments

3. Policies we design and implement in next year or two will determine future trajectory (hence “fork in the road”)

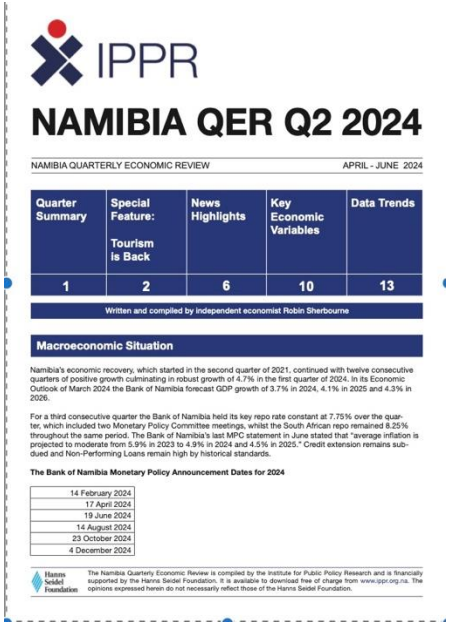
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State of the Namibian Economy 2024

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

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State of the Namibian Economy 2024: Plug for IPPR QER



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NAMIBIA QER Q2 2024

NAMIBIA QUARTERLY ECONOMIC REVIEW APRIL - JUNE 2024

Quarter Summary	Special Feature: Tourism is Back	News Highlights	Key Economic Variables	Data Trends
1	2	6	10	13

Written and compiled by independent economist Robin Sherbourne

Macroeconomic Situation

Namibia's economic recovery, which started in the second quarter of 2021, continued with twelve consecutive quarters of positive growth culminating in robust growth of 4.7% in the first quarter of 2024. In its Economic Outlook of March 2024 the Bank of Namibia forecast GDP growth of 3.7% in 2024, 4.1% in 2025 and 4.3% in 2026.

For a third consecutive quarter the Bank of Namibia held its key repo rate constant at 7.75% over the quarter, which included two Monetary Policy Committee meetings, whilst the South African repo remained 8.25% throughout the same period. The Bank of Namibia's last MPC statement in June stated that "average inflation is projected to moderate from 5.9% in 2023 to 4.9% in 2024 and 4.5% in 2025." Credit extension remains subdued and Non-Performing Loans remain high by historical standards.

The Bank of Namibia Monetary Policy Announcement Dates for 2024

14 February 2024
17 April 2024
19 June 2024
14 August 2024
23 October 2024
4 December 2024

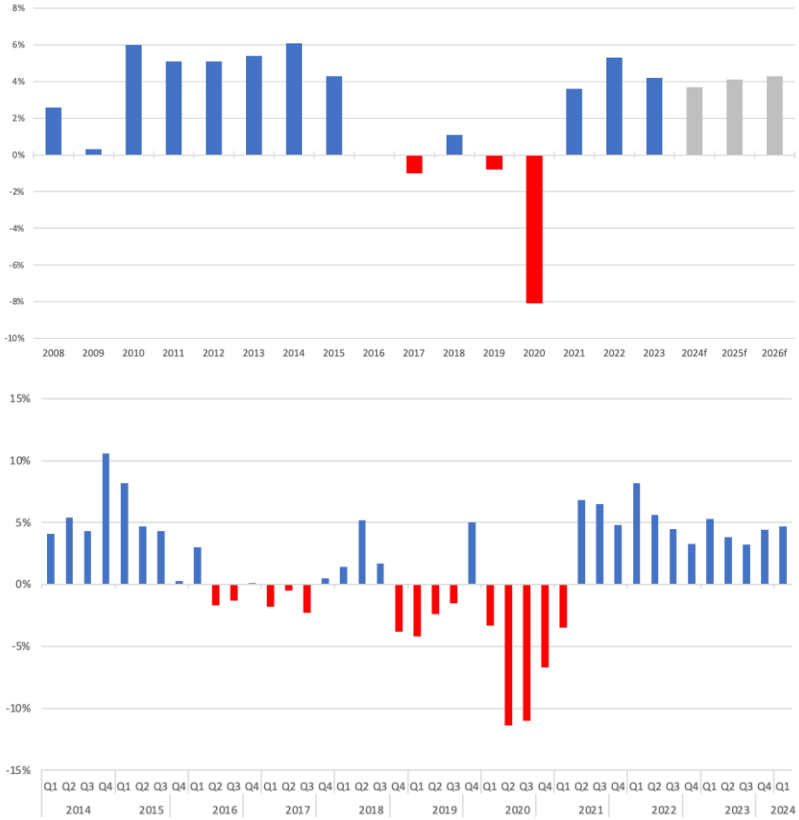
Hanns Seidel Foundation

The Namibia Quarterly Economic Review is compiled by the Institute for Public Policy Research and is financially supported by the Hanns Seidel Foundation. It is available to download free of charge from www.ippr.org.na. The opinions expressed herein do not necessarily reflect those of the Hanns Seidel Foundation.

QER	Feature
Q4 2018	Reforming Namibia's Commercial State-Owned Enterprises
Q1 2019	Namibia's National Budget 2019/20
Q2 2019	Namibia's Public Debt
Q3 2019	Namibia's Economic Policy and Performance Since 2015
Q4 2019	Namibia's Record on Employment and Unemployment
Q1 2020	Foreign Direct Investment
Q2 2020	The High-Level Panel on the Namibian Economy
Q3 2020	Namibia's Diamond Dream
Q4 2020	2020: A Year Like No Other
Q1 2021	Namibia's National Budget 2021/22
Q2 2021	Namibia's Tourism Sector
Q3 2021	A Basic Income Grant for Namibia
Q4 2021	Green Hydrogen and Namibia
Q1 2022	Attracting Foreign Direct Investment
Q2 2022	Meeting the Challenges of Oil and Gas
Q3 2022	The Challenge of Rising Inflation
Q4 2022	Namibia's Public Debt Revisited
Q1 2023	Namibia's Electricity Supply
Q2 2023	Land Reform Statistics
Q3 2023	History of Namcor
Q4 2023	Public Enterprise Reform
Q1 2024	Election Budgets since Independence
Q2 2024	Update on Namibia's Tourism Sector

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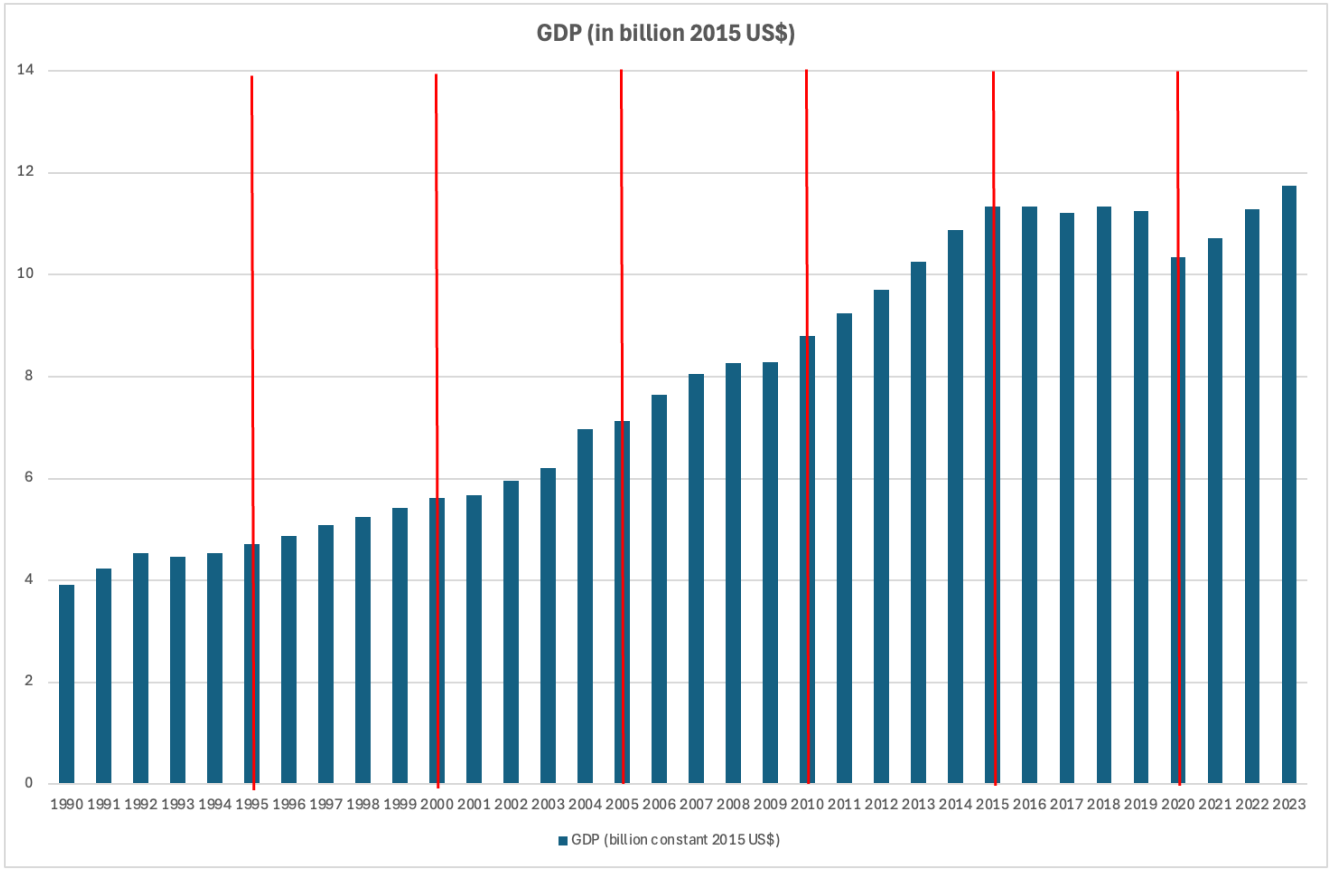
Economic Indicators: Growth



Recovered from Covid hit with modest growth ahead

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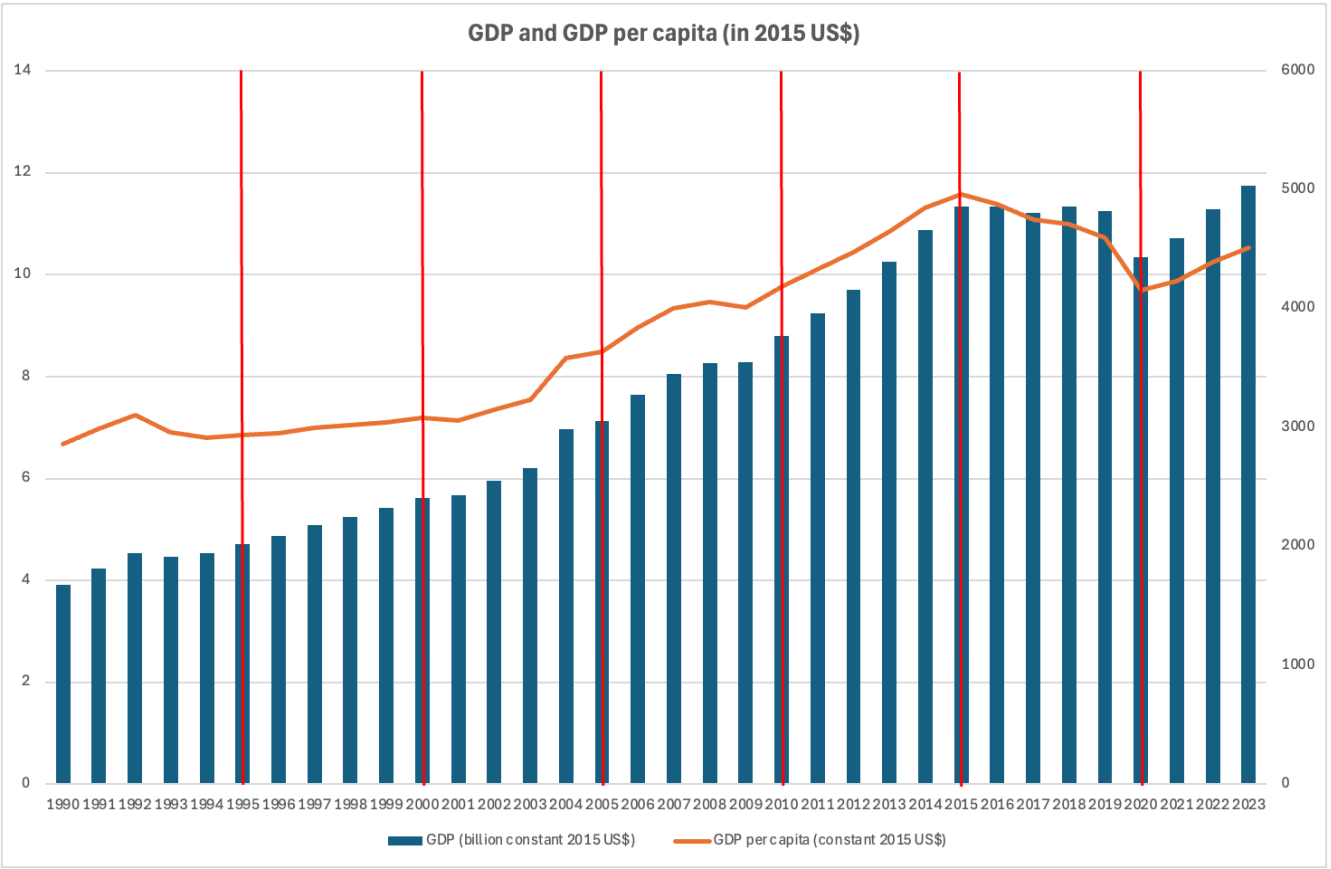
Growth: Let's Take A Closer Look



Source: World Bank

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Growth: Let's Take A Closer Look



"Year of Expectations"

"We are on course to leave Namibia in better shape, come March 2025."

HE President Hage Geingob in final New Year's message

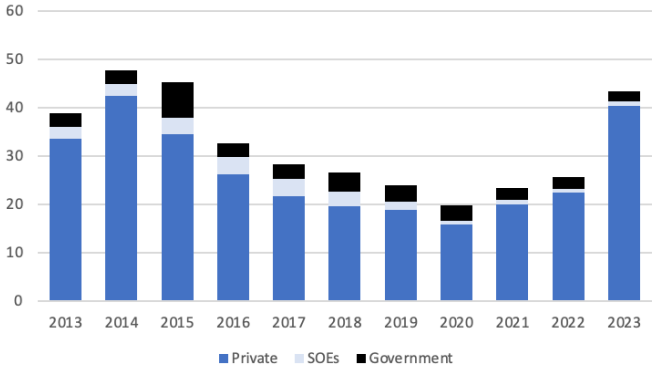
GDP 2015: N$146,019 million
GDP 2023: N$151,359 million

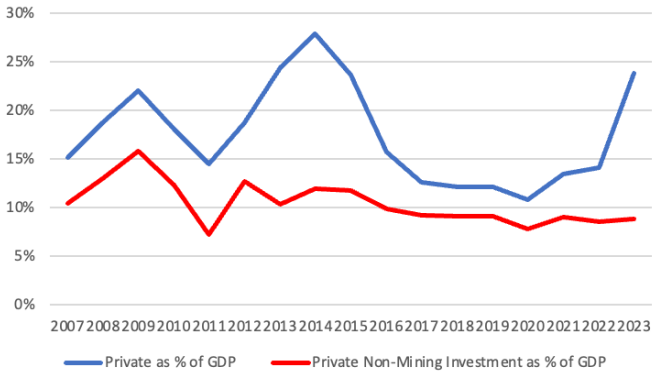
GDP per capita 2015: N$64,023
GDP per capita 2023: N$50,079

Source: World Bank

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Economic Indicators: Investment

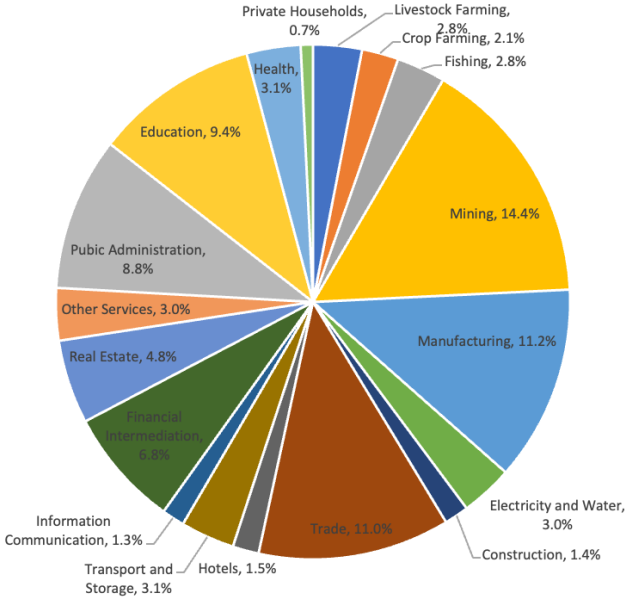




Signs of oil and gas exploration boom but non-mining private investment is still in doldrums – why?

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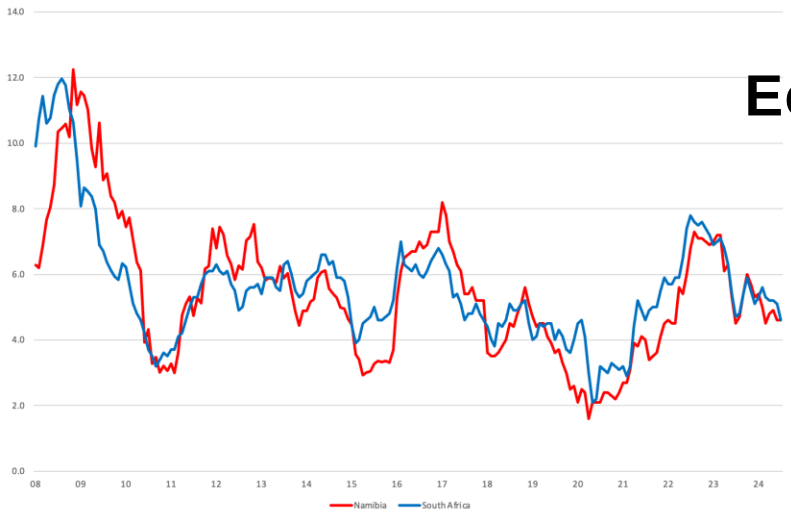
Economic Indicators: Structural Change

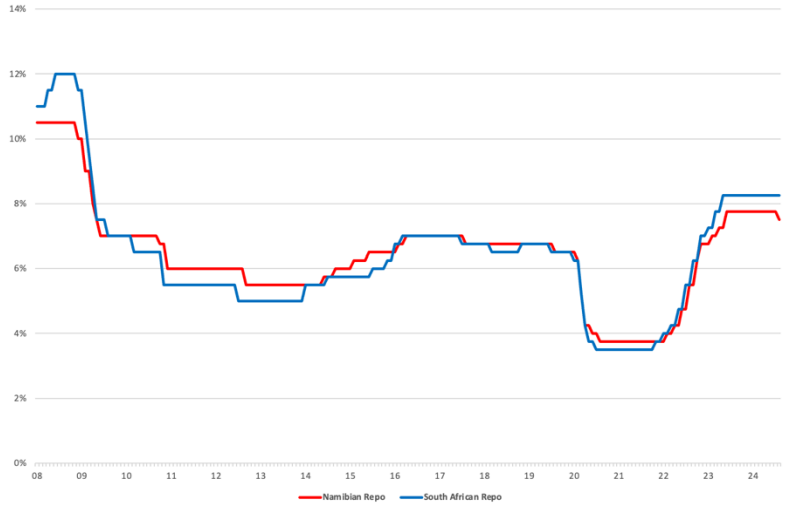


With limited investment and growth virtually no structural change

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Economic Indicators: Monetary Policy





Inflationary pressures rose after Covid and Russia's full-scale invasion of Ukraine.

Central banks responded with higher interest rates.

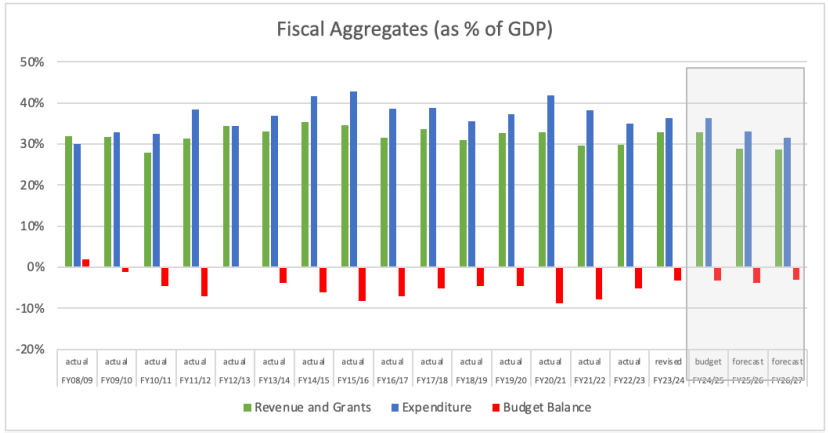
SA inflation is now back within its target band of 3%-6%.

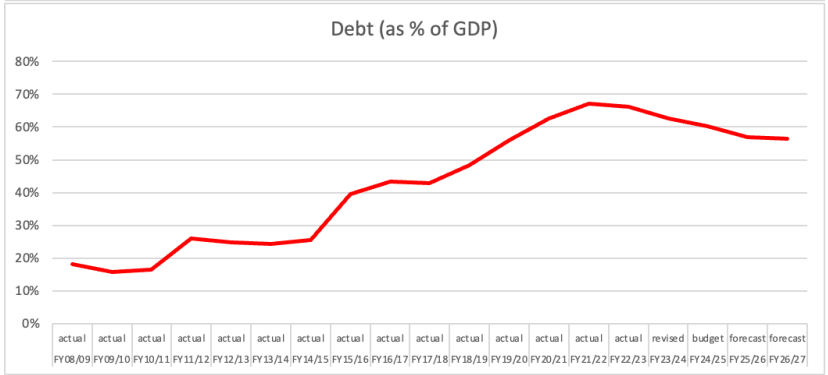
Bank of Namibia forecasting inflation to average 4.9% in 2024 from 5.9% in 2023.

Bank of Namibia cut its repo rate for the first time since August 2020.

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Economic Indicators: Fiscal Policy

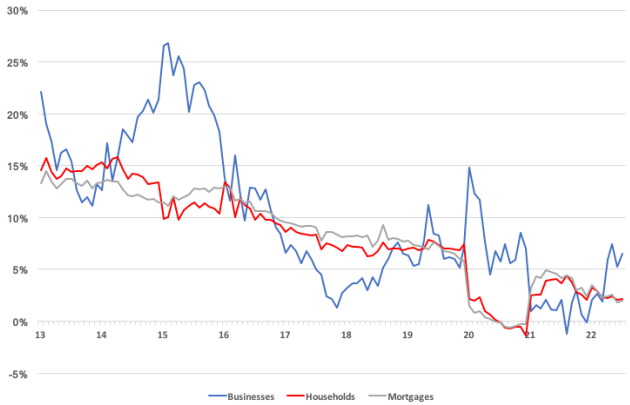


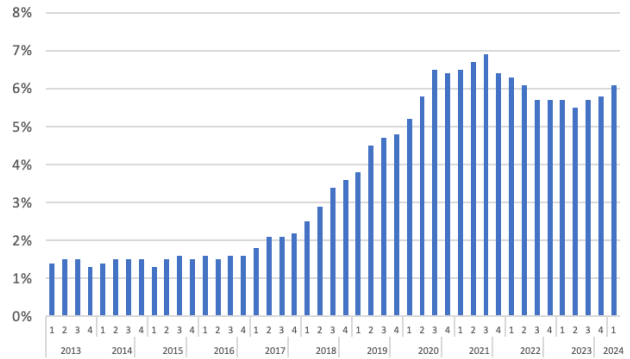


Government is stabilising debt helped by growth but without attempting any serious public sector reform

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Economic Indicators: Credit and Banking

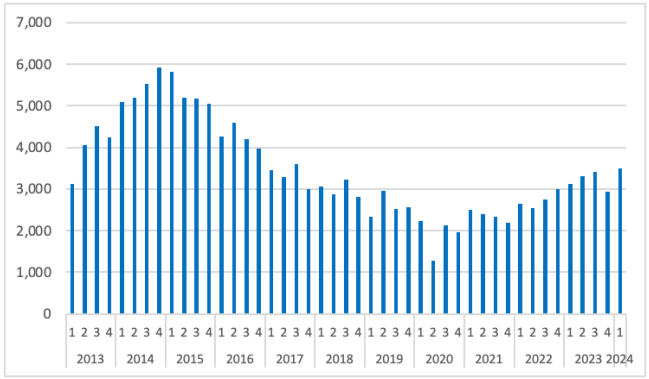


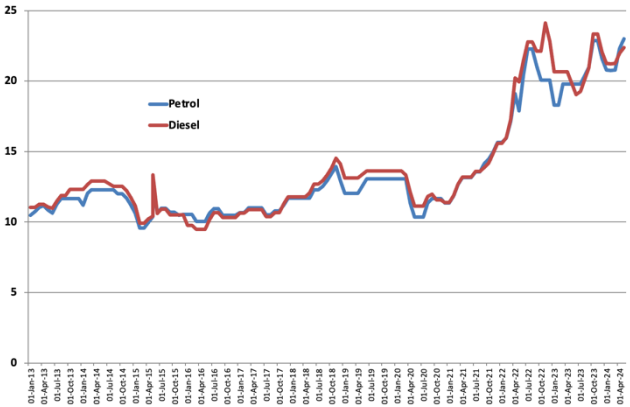


Credit growth is still extremely sluggish and bank Non-Performing Loans (NPLs) are still high by historical standards

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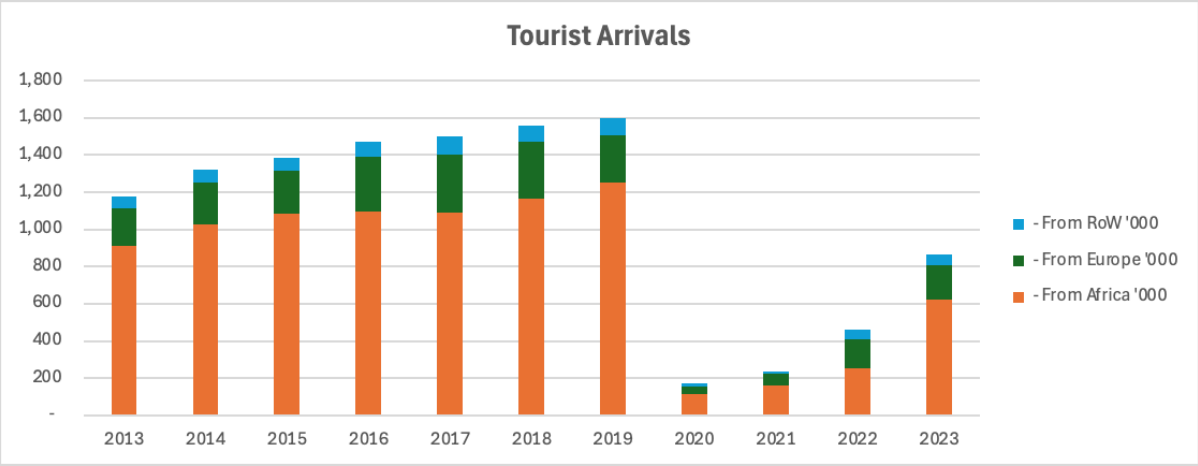
Economic Indicators: Other Indicators

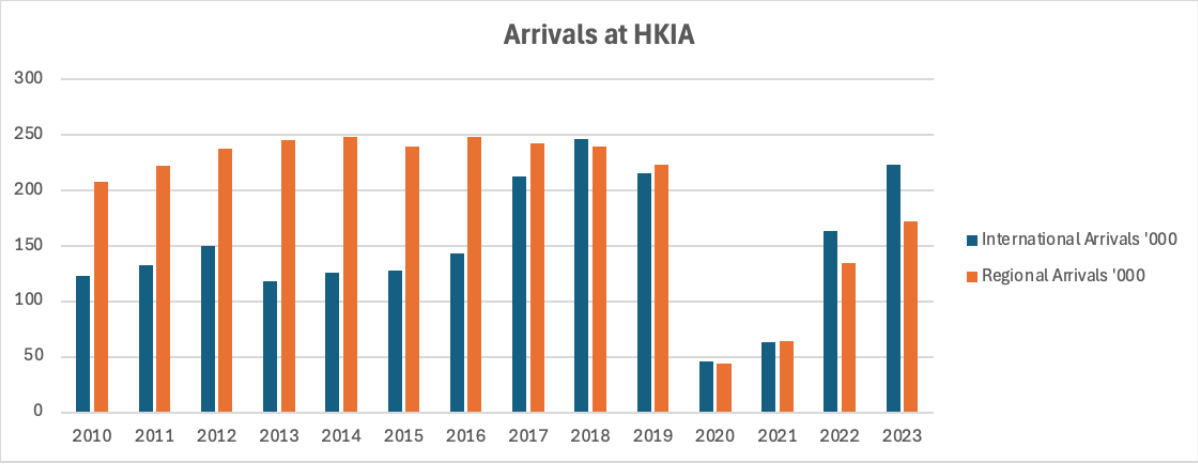




Vehicle sales slowly recovering and petrol and diesel prices have stabilised

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Economic Indicators: Tourist Arrivals

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Highlights 23 August 2023 – 29 August 2024

Date	Good	Bad	Hard to Say
31 August		No oil at Shell's Cullinan-IX	
4 September	New agricultural minimum wage negotiated from 1 Oct		
14 September		Government loses N$1.5 billion to illegal fishing	
23 September	Namibia launches online visa service		
29 September	Cleanergy brick-laying		
3 October		IMF highlights red tape	
15 October	Government turns down Namcor bailout		

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Highlights 23 August 2023 – 29 August 2024

Date	Good	Bad	Hard to Say
24 October			Namibia and EU sign strategic minerals partnership
6 November			Xinfeng given green light to export ore
10 November	Namibia and Botswana agree to lower roaming rates from 1 April		
13 December		Labour Ministry says over 24,000 jobs lost in 5 years	
10 January	Galp announces major discovery at Mopane-1X		
4 February	President Hage Geingob dies and President Mbumba appointed		

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Highlights 23 August 2023 – 29 August 2024

Date	Good	Bad	Hard to Say
9 February	President Mbumba makes Cabinet appointments		
23 February		Namibia greylisted by FATF	
11 March			Dundee Precious Metals sold to Sinomine of China
13 March			Preliminary Population Census results
29 March	Namibia launches visa on arrival for 58 countries		
3 April	Langer Heinrich restarts production		
3 April	FlyNamibia granted licence		

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Highlights 23 August 2023 – 29 August 2024

Date	Good	Bad	Hard to Say
15 April	Paratus launches fibre optic cable between Europe and SA		
19 April	Namibia launches visas on arrival at Walvis Bay		
25 April		BW Energy postpones FID on Kudu until 2025	
4 May	Construction starts on first salmon farm		
14 May	Namport handles record cargo		
22 May			NCE publishes position paper on green hydrogen in TKNP

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Highlights 23 August 2023 – 29 August 2024

Date	Good	Bad	Hard to Say
24 May		Namibia to impose visas on non-reciprocating countries	
29 May	Fitch rating stable		
2 June	Cabinet approves national minimum wage		
3 June	Government appoints new Namcor board		
26 June	Government approves second desalination plant		
14 August	Bank of Namibia cuts interest rates		

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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 decision)
- Preliminary census results (published)

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More About Policy (Lack of) Developments…

NEEEB (1 August 2019 but process started in 2004):
“As stated by HE the President finalisation of NEEEB is a key priority and the Bill will be tabled in Parliament within 6 months.”

NIPA (1 August 2019 but process started after passing of NIPA in 2016)
“The Act could be operational by the end of this financial year.”

New Minerals Act (CMN: “Their aim is to conclude consultations on the draft Minerals Bill in 2024, moving towards its implementation and the finalisation of associated regulations. This comes after more than 20 years of review of the Bill.”)
Draft with MME

Public Private Partnership Unit in MoFPE (after PPP Act of 2017)
Do we have any PPPs?

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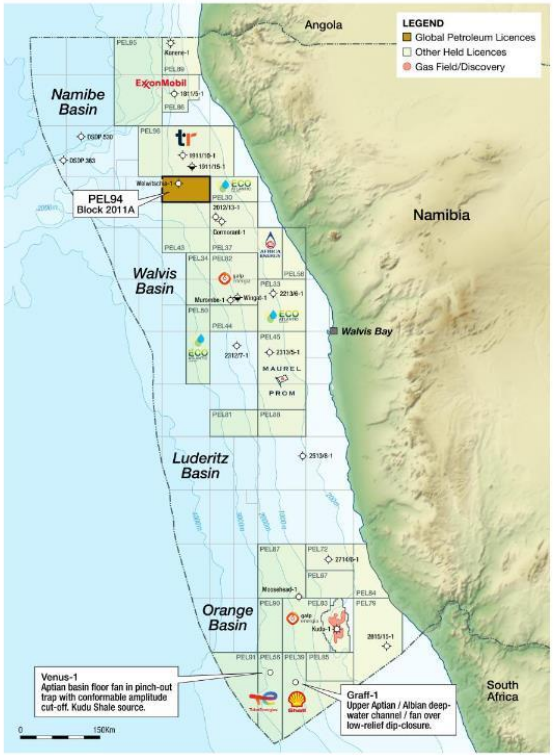
Policy Developments

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?

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Oil and Gas Summary



Key oil and gas points:

1. Door closing on new oil and gas projects (IEA 2021)
2. Galp discovery adds to Shell and TotalEnergies discoveries
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
8. FID by 2025 (Maggy Shino)

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Oil and Gas Summary: Drilling Record

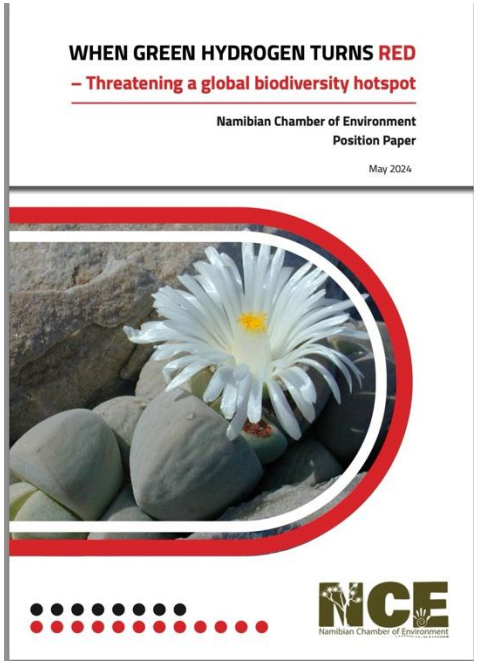
Shell (45%) **QatarEnergy (45%)** **Namcor (10%)** **PEL0039**	**TotalEnergies (40%)** **QatarEnergy (30%)** **Impact (20%)** **Namcor (10%)** **PEL 0056**	**Galp (80%)** **Namcor (10%)** **Custos (10%)** **PEL 0083**
Graff 1X La Rona 1X Jonker 1X Graff 1A ST1 Lesedi 1X Cullinan 1X Jonker 1A Jonker 2A Enigma 1X	Venus 1X Venus 1A Venus 2A Nara 1X Mangetti 1X	Mopane 1X Mopane 2X

Green Hydrogen Summary

- Hyphen (Phase 1: end 2027 and Phase 2: 2029 latest update no mention but ESIA in Q3 2024)
- Cleanergy Solutions Namibia (was end Q1 2024 now Q4 2024)
- HDF (still “by 2025”)
- Enersense – Dâures (was Phase 1 Q2 2024 then Phases 2-4 now 18 tons of gh2 and 100 tons of gnh3 “towards the end of this year”)
- Kaoko Green Energy Solutions (with AW-Energy – gone quiet)
- Fortescue Future Industries (SCDI and Dâures and Cleanergy)
- HyIron (Oshivela still “late 2024”)
- HopHydro (under the radar)
- Greengo Energy (under the radar)
- Chiffon (under the radar)

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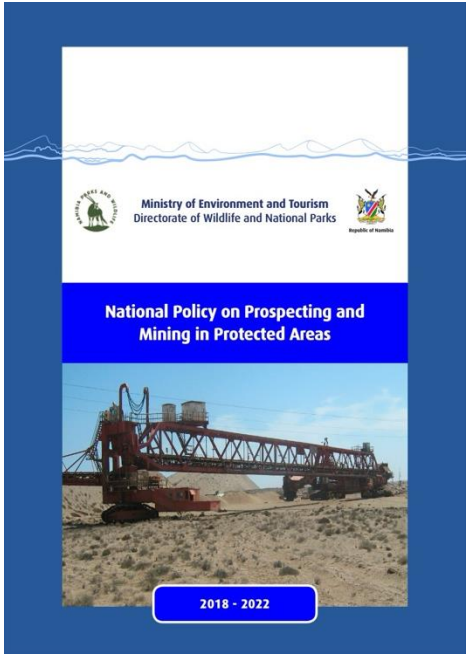
Green Hydrogen Summary: Rubber is Meeting the Road



- GH2 Implementation Authority up and running
- NCE objections to gh2 development in unique national park in Namibia to help EU achieve emissions reduction (“Red Hydrogen”)
- NCE highlights need for strategic (land) plan before developments go ahead
- Other land issues with SDM
- Planning and coordination issues

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Green Hydrogen Summary: Rubber is Meeting the Road



- We already have a policy on prospecting and mining in protected areas…

Engineers can build wonderful things but…

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A Word About Politics: Is It The Economy Stupid?

- Smooth presidential transition earlier in the year following passing of HE President Hage Geingob
- South African elections in May resulted in a coalition
- National elections on 27 November 2024 (Namibia's eighth)
- Afrobarometer results (nearest we have to opinion polls)
- High levels of registration
- But big (policy) cans have been kicked down the road!
- Continuity or change?
- Do manifestos count and what alternatives are being offered?

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A Word About Politics: Afrobarometer opinion survey

Q98. If national elections were held tomorrow, which candidate's party would you vote for?

	Urban	Rural	Men	Women	Total
APP (All People's Party)	0.8	0.3	1.2		0.6
COD (Congress of Democrats)	0.6		0.2	0.5	0.3
DPN (Democratic Party of Namibia)		0.3		0.3	0.1
MAG (Monitor Action Group)	0.1			0.1	0.1
NEFF (Namibia Economic Freedom Fighters)	2.8	1.7	2.7	2.0	2.3
NUDO (National Unity Democratic Organisation of Namibia)	2.9	3.5	2.8	3.5	3.1
RDP (Rally for Democracy and Progress)	0.8	0.9	0.9	0.7	0.8
SWANU (Swanu of Namibia)	0.8		0.4	0.4	0.4
SWAPO (SWAPO Party of Namibia)	40.8	62.3	48.3	53.4	50.8
UDF (United Democratic Front of Namibia)	1.5	0.8	0.8	1.6	1.2
UPM (United People's Movement)	0.3			0.4	0.2
LPM (Landless People's Movement)	8.2	2.6	6.3	4.9	5.6
PDM (Popular Democratic Movement)	4.8	5.0	5.8	3.9	4.9
IPC (Independent Patriots for Change)	6.5	3.4	6.2	3.8	5.0
NPF (National Patriotic Front of Namibia)	0.5		0.3	0.3	0.3
BCP (Body of Christ Party)	0.1		0.1		0.1
AR (Affirmative Repositioning)	0.9	0.4	1.3		0.7
Would not vote	10.7	3.6	7.2	7.5	7.4
Refused to answer	8.3	10.1	8.7	9.6	9.2
Don't know	8.4	5.2	6.8	7.1	6.9

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A Word About Politics: Afrobarometer opinion survey

Q47A. How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say: Managing the economy?

	Urban	Rural	Men	Women	Total
Very badly	40.6	43.9	43.2	41.0	42.2
Fairly badly	25.2	26.3	24.3	27.2	25.7
Fairly well	24.1	23.8	24.8	23.0	24.0
Very well	7.3	4.4	5.9	6.0	5.9
Refused	0.4			0.4	0.2
Don't know / Haven't heard enough to say	2.5	1.6	1.8	2.3	2.0

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The Coming Year…

- Global developments (especially Russian full-scale invasion of Ukraine, Palestine-Israel-Iran, Chinese economy, US elections and global politics, “friendshoring”, energy security, climate policies and diamonds)
- Further monetary and fiscal easing in Namibia
- Progress on oil and gas (drilling and pre-FID)
- Progress on Cleanergy, Dâures and HyIron demonstration plants
- Progress with NamPower projects (BESS, Annixas II, Otjikoto biomass, Khan solar, Lüderitz wind)
- Namibian elections at the end of 2024
- No big decisions until after new Cabinet is sworn in in March 2025?
- First oil and gas FID in 2025?

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To Sum Up…

- Economy recovered from Covid hit
- For the first time at election on average people poorer than in 2015
- Interest rates starting to come down
- No significant public sector reform in sight
- Continued drilling for oil and gas and FID in 2025
- Progress on selected green hydrogen demonstration plants
- Slow progress on power
- Continued uncertainty over investment environment
- What will elections bring and will anyone champion reform?

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Oil and Gas

Green Hydrogen



Foreign Direct Investment





Policy Uncertainty
Mismanagement
Corruption
Public Debt
Lack of Reform

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