

## AFRICA RISK CONSULTING

### Namibia Monthly Briefing August 2024

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#### Namibia Summary 19 August 2024

*The Bank of Namibia (BoN) (central bank) lowers the repo rate from 7.75% to 7.50% on 14 August. BoN also confirms that since January, Namibia has registered capital outflow of N\$14.2 billion (\$795.2m) to South Africa, a N\$3.6 billion (\$201.6m) increase compared to the same period last year. An election poll by Afrobarometer indicates that while the South West Africa People's Organisation (SWAPO) is likely to remain the dominant party in the November election, the Landless People's Movement (LPM) could become the official opposition. Namibia lifts its poultry ban on South Africa and imposes a poultry ban on poultry from Brazil.*

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#### Central bank eases interest rates

The **Bank of Namibia (BoN)** (central bank) on 14 August announced a 25 basis point reduction in its main interest rate, lowering the repo rate from 7.75% to 7.50%, citing a slowdown in inflation and inflation expectations. Annual inflation remained steady at 4.6% in July, the same as in June, and slightly down from 4.9% in May. The central bank also revised its average inflation forecast for 2024 from 4.9% to 4.7%, attributing this adjustment to the appreciation of the Namibian dollar and a moderation in global crude oil prices.<sup>1</sup>

Despite this apparent stabilisation of inflation, the BoN acknowledged that the high cost of living would continue to burden Namibians. Central bank governor **Johannes !Gawaxab** emphasised during the repo rate announcement that although the rate cut might offer some relief to borrowers, prices for products would likely remain elevated.<sup>2</sup> He stressed the importance of preventing these prices from spiralling out of control, even as the central bank seeks to support economic activity through a moderate monetary policy easing. The decision to reduce the repo rate was backed by four **Monetary Policy Committee members (MPC)** members, while two members voted to maintain the rate.<sup>3</sup> Notably, this latest interest rate announcement is a breakaway from **South Africa**, which has yet to ease its interest rates.<sup>4</sup> Namibia's main interest rate is now 75 basis points below South Africa's, which stands at 8.25%.

Adding further complexity to the inflationary landscape, !Gawaxab also highlighted that the tax relief proposals tabled in parliament between 12 and 16 August could lead to higher inflation.<sup>5</sup> The tax relief, introduced by finance minister **Iipumbu Shiimi**, would exempt individual taxpayers from paying tax on the first N\$ 100,000 (\$5,604) of their income and raise the small business VAT threshold from N\$ 500,000 (\$ 28,021.95) to N\$1m (\$ 56,043.90). !Gawaxab explained that this tax relief would increase disposable income, likely driving up consumer spending, which in turn would raise demand for goods and services and potentially push up inflation. He forecasted that this could raise inflation to 4.7% later in August, despite the recent stabilisation.<sup>6</sup>

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<sup>1</sup> Reuters, 14 Aug 2024

<sup>2</sup> The Namibian, 15 Aug 2024

<sup>3</sup> The Namibian, 15 Aug 2024

<sup>4</sup> News24, 14 Aug 2024

<sup>5</sup> The Namibian, 18 Aug 2024

<sup>6</sup> The Namibian, 18 Aug 2024

Economists have expressed mixed reactions to the BoN's rate cut. Economist **Omu Kakujaha-Matundu** described the rate cut as a double-edged sword. While it provides relief to borrowers by reducing loan servicing costs, which could stimulate the economy by encouraging businesses to reinvest savings from lower interest charges, it might also negatively affect savers and investors, who would see lower returns on unit trusts and fixed deposits. Kakujaha-Matundu also noted that while inflation in goods has stabilised, inflation in services, particularly housing, continues to increase, which could further strain household budgets.<sup>7</sup> Kakujaha-Matundu stated:

*"That's welcome news for people servicing mortgage loans, vehicle loans, borrowers and also businesses servicing loans [...] But it is bad news for savers and investors. Investment yields will be adversely affected as they will earn less on their unit trusts and fixed deposits."<sup>8</sup>*

Economist **Josef Sheehama** added that the rate cut might encourage more people to take up home loans, though its immediate impact on mortgage costs would be modest. Sheehama warned that while the reduction might boost economic confidence, it could also deter foreign investment, leading to currency devaluation as investors seek higher returns elsewhere. This could exacerbate inflationary pressures, particularly if the Namibian dollar weakens.<sup>9</sup>

The central bank's decision reflects a careful balancing act between stimulating economic growth and managing inflationary pressures. While the rate cut might offer temporary relief, the proposed tax relief and ongoing economic challenges suggest that inflation could remain a persistent concern. The central bank's future policy decisions will likely depend on how these inflationary dynamics evolve in the coming months.<sup>10</sup>

### **Namibia records capital outflow to South Africa**

Since January 2024, Namibia has experienced a capital outflow of N\$14.2 billion (\$795.2m) to South Africa compared to N\$ 10.6 billion (\$593.6m) during the same period in 2023, a N\$3.6 billion (\$201.6m) increase. !Gawaxab said on 14 August that this surge is primarily due to the interest rate differential between the two countries. A significant portion of this outflow, N\$3 billion (\$168m), is attributed to payments for imported merchandise, reflecting Namibia's ongoing trend of importing more than it exports.<sup>11</sup>

!Gawaxab emphasised that while a large part of the outflow is linked to trade, the remaining N\$600 million (\$33.6m) requires further analysis to determine its cause. Despite this capital outflow, Namibia's foreign reserves have increased from N\$55.6 billion (\$3.1136 billion) to N\$60.8 billion (\$3.4048 billion), mainly due to higher revenue from the **Southern African Customs Union (SACU)** and diamond sales.<sup>12</sup> This level of reserves is sufficient to cover four months of imports, maintaining the currency peg between the Namibian dollar and the South African rand. The BoN previously indicated that by the end of March 2024, the economic outlook for diamond mining showed that the sector is expected to slow to 2.1% growth in 2024 before bounding back to 5.7 % in 2025.<sup>13</sup>

However, the diamond industry in Namibia faces challenges, including a decline in demand driven by competition from lab-grown diamonds and weak demand from **China**. These factors have negatively affected production, export revenue, and diamond taxes, contributing to a

<sup>7</sup> The Namibian, 15 Aug 2024

<sup>8</sup> The Namibian, 15 Aug 2024

<sup>9</sup> The Namibian, 15 Aug 2024

<sup>10</sup> The Namibian, 15 Aug 2024; The Namibian, 18 Aug 2024; Reuters, 14 Aug 2024

<sup>11</sup> The Namibian, 17 Aug 2024

<sup>12</sup> The Namibian, 17 Aug 2024

<sup>13</sup> Windhoek Observer, Apr 2024

projected decline in economic growth. While Namibia's foreign reserves have strengthened, the economic outlook remains cautious due to these external pressures.<sup>14</sup>

### Polls predict new official opposition

The independent pan-African research network, **Afrobarometer**, conducted a poll between 14 March and 2 April which indicates that the **Landless People's Movement (LPM)** would surpass the **Popular Democratic Movement (PDM)**, to become Namibia's official opposition if elections were held now.<sup>15</sup>

The poll surveyed 1,200 adults and revealed that 50.8% of respondents would vote for the ruling **South West Africa People's Organisation (SWAPO)**, 5.6% for LPM, 5% for the **Independent Patriots for Change (IPC)**, and 4.9% for the PDM. However, a significant portion of voters remain undecided (6.9%), refused to answer (9.2%), or would abstain from voting (7.4%). In the 2019 elections, SWAPO received 63% of the votes in the parliamentary elections, followed by the PDM (16%) and the LPM (4%).

**Institute for Public Policy Research (IPPR)** director **Graham Hopwood** noted the results indicate that while SWAPO remains dominant, the opposition has potential opportunities to gain ground. However, Hopwood states that the poll shows there is no clear front-runner among the opposition:

*"For them, the poll indicates that there is still all to play for in the race to become the official opposition. Swapo will want to consolidate their significant lead even further."*<sup>16</sup>

The poll also sheds light on public opinion regarding Namibia's electoral process. It showed that 65.7% of respondents voted in the 2019 election, with higher turnout in rural areas (73.9%) compared to urban areas (58.5%). Among those who did not vote, reasons included lack of registration, interest, or distrust in the electoral process. Looking ahead to the 2024 election, 91.1% of those too young to vote in 2019 expressed their intent to participate this year.<sup>17</sup>

Most Namibians value a multi-party system, with 73.2% agreeing that it provides real choices for governance. However, a significant minority (24.5%) sees multiple parties as divisive. Opinions are divided on the transfer of power, with 57.2% accepting long-term single-party dominance, while 39.3% prefer periodic power shifts for the sake of accountability.<sup>18</sup>

Political analyst **Ndumba Kamwanyah** echoed this sentiment, noting the high percentage of undecided respondents could indicate dissatisfaction with the current political landscape, offering opposition parties a chance to address voter concerns.

Political analyst **Johan Coetzee** also added that the poll reflects the deep divisions among opposition parties, which remain unable to unite effectively against SWAPO. He also highlighted that the so-called liberation legacy of SWAPO, which once bolstered the ruling party, is increasingly viewed as a burden due to economic challenges like unemployment, poor education, and corruption. A majority of the poll's respondents believe opposition parties should cooperate with the government post-election.<sup>19</sup>

### Poultry ban lifted on SA and imposed on Brazil

Namibia has lifted its nearly year-long ban on live poultry and bird imports from South Africa, originally imposed in September 2023 due to an outbreak of highly pathogenic avian influenza. Although the ban was lifted in May, various media publications reported on 16 August the

<sup>14</sup> The Namibian, 17 Aug 2024

<sup>15</sup> The Namibian, 14 Aug 2024

<sup>16</sup> The Namibian, 14 Aug 2024

<sup>17</sup> The Namibian, 14 Aug 2024

<sup>18</sup> The Namibian, 14 Aug 2024

<sup>19</sup> The Namibian, 14 Aug 2024

suspension of the ban on South African poultry imports.<sup>20</sup> This decision is significant as Namibia relies heavily on South Africa for its poultry supply. The ban had caused considerable economic strain, leading to supply chain disruptions, price increases, and shortages in Namibia's poultry market, which consumes approximately 2,500 metric tonnes of chicken monthly.<sup>21</sup> The cost to the poultry industry in South Africa amounted to around N\$218m (\$12.2m) by June 2024.<sup>22</sup>

The resumption of imports is expected to bring stability to the Namibian market, offering relief to consumers who have faced rising costs and to South African exporters eager to resume trade. This move is anticipated to ease the pressure on the local poultry market, restoring a more stable supply and potentially lowering prices.

However, as Namibia reopens its borders to South African poultry, it has simultaneously introduced a new suspension on imports of live birds and uncooked poultry products from **Brazil's Rio Grande do Sul** state. This suspension follows an outbreak of avian Newcastle disease in that region, reflecting Namibia's ongoing vigilance in protecting its poultry industry from infectious diseases. The agriculture ministry has mandated that any poultry consignments from the affected Brazilian state, packed on or after 18 June, be returned or destroyed at the importer's expense.

### Planner

20 – 22 Aug 2024 **Windhoek (Namibia) Namibia Oil and Gas Conference**

Nov 2024 **(Namibia) General elections**

### Chronology

18 Aug 2024 **Windhoek (Namibia) The Namibian. Mineworkers Union of Namibia (MUN)** sells shares worth N\$3.9 m (\$218 571) through its newly launched **Just Transition Investments (JTI) Namibia**, partnering with **Transfer Secretaries**, a subsidiary of the **Namibian Stock Exchange**, to manage its shareholder register;

17 Aug 2024 **Windhoek (Namibia) The Namibian. The ruling South West Africa People's Organisation (SWAPO)** elects six candidates to the electoral college as candidates for national parliamentary seats, including **Sam Shafiishuna Nujoma, Kristofina Nakanduungile, Albertina Ngavirue, Meryam Nghidipo, Ndjizera Ndjizera and Anselm Marungu**;

17 Aug 2024 **Windhoek (Namibia) The Namibian. Health and social services ministry spokesperson Walters Kamaya** affirms that mechanisms are in place should Namibia register an mpox case and that the outbreak of the disease in Africa will not affect the movement of goods;

17 Aug 2024 **Windhoek (Namibia) The Namibian. Windhoek high court Judge Thomas Masuku** regards the **Electoral Commission of Namibia's (ECN) deregistration of the Namibia Economic Freedom Fighters (NEFF)** as momentous for democracy and suspends the ruling to 5 September;

17 Aug 2024 **Windhoek (Namibia) The Namibian. Opposition National Unity Democratic Organisation (Nudo)** members provide a petition to the party's leadership to hold a congress to elect new leaders after its elective congress postponement more than once due to conflict over finances and factional battles;

<sup>20</sup> Reuters, 16 Aug 2024; Food Mzansi, 16 Aug 2024; CNBC Africa, 16 Aug 2024

<sup>21</sup> Food Mzansi, 16 Aug 2024

<sup>22</sup> Green Agri, 7 Jun 2024

17 Aug 2024 **Windhoek (Namibia)** *The Namibian*. Opposition **Popular Democratic Movement (PDM)** leader **McHenry Venaani** aims for the PDM to reduce the share of votes for the **South West Africa People's Organisation (SWAPO)** to under 40% in the upcoming November elections;

15 Aug 2024 **Windhoek (Namibia)** *The Namibian*. The Windhoek high court postpones judgement on the opposition **Popular Democratic Movement's (PDM)** request to review and set aside former land reform minister **Utoni Nujoma's** decision to lease government-owned farms to Russian billionaire **Rashid Sardarov**;

15 Aug 2024 **Windhoek (Namibia)** *New Era*. **Air Connect Namibia** and **Air Botswana** announce the launch of new flights connecting Windhoek to **Maun, Kasane** and **Gaborone** in **Botswana**;

14 Aug 2024 **Windhoek (Namibia)** *The Namibian*. **The Namibia Revenue Agency (Namra)** suspends the licences of more than 200 clearing agents who did not renew their licences for 2024, urging importers, exporters and the public to merely conduct business with clearing agent companies that are licenced;

7-13 Jul 2024 **Windhoek (Namibia)** *Tech Africa*. A delegation of the **World Bank** board of executive directors (EDs) visits **South Africa** and **Namibia**, noting significant progress in achieving Sustainable Development Goals (SDGs) and subsequently reaffirming commitments to provide development aid based on these achievements;

### About Africa Risk Consulting:

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