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All of Namibia is temporarily put back to stage three lockdown until end-August. President Hage Geingob (2015-present) appeals for an end to ruling party factionalism as last year's independent presidential candidate, Panduleni Itula, forms a new party. Namibia applies for its first ever loan from the International Monetary Fund (IMF). The Bank of Namibia (central bank) cuts interest rates by another 25 basis points. The economy is now expected to contract by at least 7.8% this year and an independent think-tanks calls for fundamental reforms. The Namibian Competition Commission (NCC) blocks a Chinese bid for the Okorongo cement plant. Inflation stayed at just over 2% in July.

Namibia moves back to stage 3 lockdown

An upward spike in **Covid-19** infection rates during July led President **Hage Geingob** (2015-present) to revert all of **Namibia** back to stage 3 lockdown on 12 August, from the least restrictive stage 4 regime (see *ARC Briefing Namibia July 2020*).¹ Stage 3 restrictions had continued to apply in one of the country's 14 regions, **Erongo**, with additional restrictions introduced for **Walvis Bay** and nearby towns in early July. The stage 3 restrictive period was to be for 16 days initially, until 28 August, but a continued rise in the number of confirmed cases could lead to it being extended. At his **State House** media briefing, Geingob said as of 12 August, Namibia had 3,406 confirmed cases and a rising death toll that had reached 22:

*"Given the increasing number and distribution of cases across the country, there is now what can be classified as clustered community transmission, which warrants adjustment to our national level of response."*²

Geingob acknowledged that a return to stage 3, even temporarily, would have a negative impact on the recently-launched tourism revival initiative. However, as of 24 August, confirmed Covid-19 cases in Namibia had increased to 6,030, with 176 new cases on that day, according to the online *Worldometer* daily coronavirus update. The number of Covid-related deaths had risen to 56, four of them new.³

In addition to the nationwide application of stage 3, the special measures applied to the coastal towns were extended to the **Windhoek** local authority area, as well as **Okahandja** to the north and **Rehoboth** to the south. Most travel in and out of these hotspot areas to the rest of the country will be restricted to emergency situations only, and anyone leaving the restricted areas, apart from critical and essential service providers, will be quarantined at their own cost on arrival at their destination.⁴

¹ Statement by Dr Hage G. Geingob, President of the Republic of Namibia, On the Occasion of the 15th Covid-19 Media Briefing; Countrywide Migration to Stage 3 Under State of Emergency and Additional Measures for the Walvis Bay, Swakopmund, Arandis, Windhoek, Okahandja and Rehoboth Local Authority Areas, 12 August 2020.

² Statement by Dr Hage G. Geingob, President of the Republic of Namibia, On the Occasion of the 15th Covid-19 Media Briefing; Countrywide Migration to Stage 3 Under State of Emergency and Additional Measures for the Walvis Bay, Swakopmund, Arandis, Windhoek, Okahandja and Rehoboth Local Authority Areas, 12 August 2020.

³ Worldometer (online), COVID-19 Coronavirus Pandemic, 24 Aug 2020.

⁴ Statement by Dr Kalumbi Shangula, Minister of Health and Social Services, on Migration from Stage 4 to Stage 3 of the Covid-19 Restrictions and Special Dispensation for the Walvis Bay, Swakopmund, Windhoek, Okahandja and Rehoboth Local Authority Areas, 12 August 2020.

Geingob urges factions to put aside differences

With regional council and local authority elections looming at the end of November, Geingob and other leaders of the ruling **South West African People's Organisation (SWAPO Party of Namibia)** are expressing growing anxiety that party disunity may lead to electoral losses in three months' time (see *ARC Briefing Namibia July 2020*). At the end-July closing ceremony of a two-day introspection to review the party's performance in the 2019 presidential and legislative elections, at which SWAPO lost its two-thirds majority in the **National Assembly (NA)**, Geingob called for the immediate end of **'Team Harambee'** and **'Team SWAPO'** rivalry and called on members to *"come back home"*.⁵ The two factions went head to head at the November 2017 party congress at which Geingob's Harambee slate for the top posts prevailed. But Geingob said his faction had been dissolved, effectively issuing a challenge to the rival faction to do the same.

Geingob noted that participants at the introspection meeting had challenged the leadership to deal with the *"recurrent ghost of tribalism and factionalism"*, which he said undermined the party's cohesion, and its ability to focus entirely on service delivery to the public. Geingob hit out at corruption within the party, noting that it *"undermines the principles of solidarity, freedom and social justice, for which many sacrificed their lives"*.⁶

*"Some comrades are abandoning solidarity and sacrifice because they look at the Swapo party in terms of what they should gain and not what they should give to the party."*⁷

Namibia's first 'founding' president, **Sam Nujoma** (1990-2005), added his weight to the effort to restore party unity, warning that SWAPO risked losing its appeal to youth and being defeated in some traditional strongholds in November:

*"We cannot afford to have such glorious history to be tainted by greed, as this will drive the people away from Swapo."*⁸

The formation of a new political party by **Panduleni Itula**, who ran a strong second to Geingob in the 2019 presidential poll, standing as an independent while remaining a party member with the support of 'Team SWAPO' members (see *ARC Briefing Namibia Nov & Dec 2019*), has added to the SWAPO hierarchy's concerns. Itula launched the **Independent Patriots for Change (IPC)** at the end of July in Windhoek. Itula, who was elected president of the IPC for five years, said the new party – the third SWAPO spin-off formed since 1999 – would not align to political ideologies but focus on educating people about their rights to participate in political activities without constraint. He said the party, which has applied for but not yet received registration from the **Electoral Commission of Namibia (ECN)**, had not yet decided whether to contest the regional and local elections.⁹

Namibia applies for first ever IMF loan

To help meet the larger budget deficit, estimated at N\$21 billion (\$1.2 billion) in the 2020/21 fiscal year, the government has requested N\$4.5 billion (\$261m) as an emergency funding facility from the **International Monetary Fund (IMF)**.¹⁰ This would not substantially raise public debt, which totalled \$2.4 billion at end-March 2020, of which \$1.25 billion comprised two ten-year **Eurobonds** maturing in 2021 and 2025 respectively. However, since independence, successive finance ministers have ruled out taking up all but concessional multilateral loans, such as from the **African Development Bank (AfDB)**, to avoid increasing foreign debt obligations. The Covid-19 budget tabled at the end of May by finance minister **Ipumbe Shiimi** provided for N\$9.9 billion (\$574m) in external and other unspecified borrowing (see *ARC Briefing Namibia June 2020*). This will be the first time that Namibia

⁵ The Namibian, 28 Jul 2020.

⁶ The Namibian, 28 Jul 2020.

⁷ The Namibian, 27 Jul 2020.

⁸ New Era, 27 Jul 2020.

⁹ The Namibian, 3 Aug 2020.

¹⁰ Moneyweb, 29 July 2020, The Namibian, 29 July 2020.

has borrowed money from the **Washington DC**-based global funding agency, and means that the country will almost certainly have to adhere to some requirements for the loan, stipulating certain specified policy actions. However, as the funds will be disbursed via the IMF's rapid financial instrument programme (RFI), Namibia may avoid being subject to full 'conditionality' on the loan.

The IMF has regularly assessed Namibia's macro-economic environment and fiscal policies under its annual Chapter IV consultations with the government, but its recommendations have been advisory only as, without a country programme in place, Namibia is not obliged to comply with these. The position will now alter, although it is not yet clear what policies the IMF will ask Namibia to implement. They will almost certainly be focussed on enhancing fiscal resilience to withstand the impact of lower public revenues due to Covid-19.

Under the RFI facility, IMF member countries are required to cooperate with the fund to make efforts to solve balance of payment issues and to describe the general economic policies it proposes to follow.¹¹ Shiimi said the government "*will assess the terms and conditions to see if they are favourable to Namibia*" when confirming the loan application on 29 July. He defended the decision to borrow from the IMF saying it was cheaper, and domestic lending capacity is limited:

"We would like to borrow locally as much as possible but the local market does not have the capacity to carry the debt that we want, hence we decided to go on the international market...I want to emphasise that the option we have received from IMF is the cheapest we can have."

However, Namibia's largest opposition party, the **Popular Democratic Movement (PDM)**, questioned the need to borrow from the IMF at all. The PDM put out a statement accusing the government of blindly following **South Africa**, to which the IMF had allocated a much bigger RFI facility two days before Namibia's application. PDM treasurer general **Nico Smit** in a statement said:

"What does the Namibian government need the money for? Its only direct Covid expense, so far, was the N\$750 (\$43) cash payout to everybody who registered. All other expenses have been covered by donations, grants and private sector contributions."

Smit claimed that if the IMF approves the application, "*the money will just disappear in the state's bottomless pit created by years of financial mismanagement.*"¹² Local economist **Mally Likukela**, an economics lecturer and managing director of local financial company **Twilight Capital**, cautioned that Namibia's ability to service the loan would be challenged by exchange rate risks over which Namibia has no control:

*"Without a proper economic rescue package to help channel these funds, Namibia's already fragile economic recovery would be dangerously hampered by demands by the IMF. It is a loan, not a grant so is bound to come with some sort of conditions, and of course, repayment is key among them."*¹³

In similar vein, an independent local think tank, the **Institute of Public Policy Research (IPPR)**, states in a new report:

*"Government should put together a clear five-year plan showing how it intends to reform the public sector and get the public finances under control setting a credible debt limit and then follow through on the plan."*¹⁴

Central bank cuts its repo rate by another 25 basis points ...

The **Bank of Namibia (BoN)** (central bank) reduced its repurchase (repo) rate by 25 basis points (bps) again on 19 August to a new historic low of 3.75%. Namibia's four largest commercial banks, **Bank Windhoek**, **First National Bank Namibia** (the largest locally-listed company on the **Namibia**

¹¹ The Namibian, 29 Jul 2020.

¹² New Era, 4 Aug 2020.

¹³ New Era, 4 Aug 2020.

¹⁴ Institute of Public Policy Research, Covid-19 in Namibia Reforming The Economy, 23 Aug 2020.

Stock Exchange (NSX) by market capitalisation), **Nedbank Namibia** and **Standard Bank Namibia**, matched the rate cut within days by reducing their prime lending rates from 7.75% to 7.5%.¹⁵ The **South African Reserve Bank (SARB)** had previously announced a 25 bps repo rate cut at the end of its three-day **Monetary Policy Committee (MPC)** meeting on 23 July to 3.5%.¹⁶ Because the SARB had in May cut its repo rate by 50 bps to 3.75%, which the BoN did not match, reducing its rate by 25 bps only to 4.0%, South Africa's current repo rate level remains lower than Namibia's (see *ARC Briefing Namibia June 2020*). The decision by the BoN not to make a larger reduction to equalise the two repo rate levels was not officially explained but since Namibia has by far the smaller economy of the two countries, it provides Namibia a slight competitive edge in attracting sorely-needed inward investment. It also helps restrict outflows of funds to South Africa. Bank Windhoek chief treasurer **Claire Hobbs** commented:

*"With the prime rate having fallen by 2.75% since January 2020, the Bank of Namibia is trading off the need to stimulate the economy through growth in loans and advances while simultaneously ensuring savings and investments remain within Namibia."*¹⁷

The SARB said its quarterly projection model indicates one more repo rate reduction of 25 bps in the fourth quarter of 2020, and this is likely to be matched by the BoN, and if so, would bring Namibia's repo rate down to 3.5%. The SARB's final two MPC meetings of 2020 are in September and November, so Namibia's repo rate could be cut again, at either of the BoN's remaining two rate setting meetings in October and December. It seems unlikely in ARC's view that another repo rate cut this year would be more than 25 bps; SARB governor **Lesetje Kaganyago** noted that of the five MPC members, three supported the 25 bps cut and two preferred to keep the rate unchanged.¹⁸

BoN governor **Johannes !Gawaxab**, who announced the repo rate reduction for the first time since taking up his new post in June, said the MPC decided on a 25 bps reduction to 3.75%,

*"...because at this level, the rate is appropriate to continue supporting domestic economic activity while at the same time safeguarding the one-to-one link between the Namibia dollar and the South African rand ... The MPC also noted the efforts made [presumably by the government] to support the economy. and bridging the financing gaps left by the pandemic, and is confident that this will further underpin a recovery of the Namibian economy."*¹⁹

!Gawaxab noted that under the central bank's latest economic outlook baseline scenario, GDP would contract by 7.8% this year, with a moderate recovery of 2.1% in 2021 (see below). !Gawaxab said the economy's lockdown in response to the Covid-19 pandemic had caused domestic economic activity "to contract seriously" during the first six months of 2020. The slump affected mining, agriculture, manufacturing, construction, tourism, wholesale and retail trade, transport and storage, with only the telecommunications and local electricity generation sectors recording improved performance.²⁰ High rainfall during January-April 2020 improved water inflow to the 347-MW capacity **Ruacana** hydropower station on the **Kunene River** along the border between Namibia and **Angola**.²¹

Another indication of the economy's weak condition was that average growth private sector credit extension (PSCE) slowed to 4.7% in the first half of this year, down from 6.9% in the same period of 2019. The central bank said this was mainly because of a sharp fall in demand for credit by business companies, which slowed to 2.2% in the first half of 2020. The business community has not shown much appetite to take up new loans despite the more affordable credit environment, with commercial banks reported to be also extending more payment holidays than loans. The banks have provided

¹⁵ Bank of Namibia, Monetary Policy Statement, 19 Aug 2020; The Namibian, 21 Aug 2020.

¹⁶ South African Reserve Bank, Statement of the Monetary Policy Committee, 23 July 2020.

¹⁷ The Namibian, 21 Aug 2020.

¹⁸ South African Reserve Bank, Statement of the Monetary Policy Committee, 23 July 2020.

¹⁹ Bank of Namibia, Monetary Policy Statement, 19 August 2020.

²⁰ Bank of Namibia, Monetary Policy Statement, 19 August 2020.

²¹ Bank of Namibia, Quarterly Bulletin, June 2020.

loan-repayment holidays to the value of N\$9.2 billion (\$533m) since the end of April.²² One positive factor, and this only because of depressed domestic demand, was that inflation remained at an “historic low level” in the first seven months of 2020 at 2.1%, down from 4.3% in the same period of last year (see below). In addition, foreign exchange reserves had increased quite substantially, partly due to the stronger local currency exchange rate but also because mineral export earnings – gold and uranium – have held up well despite the lockdown. At the end of July, foreign reserves were N\$35.4 billion (\$2.1 billion), 5% higher than the end-May level of N\$33.7 billion (\$2.0 billion). The reserves covered 5.3 months of goods and services imports, up from 5.1 months previously.²³

... as a larger economic contraction is forecast this year

In the latest **Economic Outlook** published in August, the central bank predicts that real GDP will shrink by 7.8% this year, a bigger contraction than the -6.9 % projected in its previous report of April (see *ARC Briefing Namibia May 2020*).²⁴ This is in line with the deepening recession in South Africa, where the SARB now expects real GDP to contract by 7.3%, compared to the 7.0% reduction it forecast in May. The BoN said its downward revision of the current forecast

“... is underpinned by industry data for the first six months of the year which tend to suggest that the contraction is more severe than anticipated in April 2020. Moreover, the deeper contraction is ascribed to the longer-than-anticipated easing of COVID-19 containment measures both domestically and abroad.”²⁵

Primary industries are projected to contract by 13.9% in 2020, returning to positive growth of 2.8% in 2021. This would be worse than the 7.8% contraction recorded in 2019. Mining real value-added is expected to shrink by 19% this year, with all primary subsectors similarly projected to post sizeable negative growth rates.

GDP growth forecasts 2019-2021²⁶			
(% change at constant prices)			
	2019 (Prelim)	2020 (Forecast)	2021 (Forecast)
Agriculture & forestry	-2.6	-7.1	1.7
Fishing, onboard fish processing	6.1	-8.4	2.3
Mining & quarrying	-11.1	-18.6	3.6
Diamonds	-17.7	-24.6	5.4
Uranium	-4.4	-22.9	8.5
Primary industries	-7.8	-13.9	2.8
Manufacturing	3.5	-9.2	2.0
Beverages	12.5	-17.6	2.9
Non-ferrous metals	12.3	-7.5	2.2
Diamond processing	-7.0	-39.2	3.8
Construction	-7.9	-5.7	-1.5
Electricity & Water	-5.4	7.5	1.4
Secondary industries	0.9	-6.9	1.9
Wholesale & retail trade	-4.7	-8.9	3.2

²² The Namibian, 21 Aug 2020.

²³ Bank of Namibia, Monetary Policy Statement 2020.

²⁴ Bank of Namibia, Economic Outlook Update, August 2020

²⁵ Bank of Namibia, Economic Outlook Update, August 2020

²⁶ Bank of Namibia, Economic Outlook Update, August 2020

Hotels & restaurants	-2.7	-64.0	-3.6
Transport & Storage	-3.4	-11.5	-0.3
Financial & insurance services	6.0	-9.2	2.8
Real estate activities	2.7	-7.8	1.2
Public administration & defence	2.2	-0.7	1.9
Tertiary industries	0.6	-5.7	2.0
FSIM ²⁷	n.a.	n.a.	n.a.
All industries at basic prices	-0.9	-7.3	2.1
Taxes less subsidies on products	-4.0	-13.9	2.3
GDP at market prices	-1.1	-7.8	2.1

In the BoN's baseline forecast, and under its worst-case scenario, the economy could experience a much deeper recession, and contract by 12.1%. The central bank said it had devised the worst-case scenario due to the uncertainty regarding the duration of Covid-19 associated travel restrictions, to indicate what could happen if the prevailing low demand and production holidays remain in place until the end of 2020. This assumes deeper contractions for sectors such as fishing and fish processing on board, diamond mining, beverages, diamond processing, and hotels and restaurants.

IPPR urges a fundamental policy shift

The central bank forecasts a modest recovery for 2021, with real GDP growth forecast at 2.1%, up from 1.9% previously, mainly due to a stronger recovery in diamond output. But whether this is achievable without a paradigm shift in policies is doubtful, according to the newly-published IPPR report. This states that, as for so many other countries, the Covid-19 pandemic has inflicted “*huge damage*” to Namibia's economy, but unlike most of these, Namibia's GDP had stagnated for four years, with private investment and foreign direct investment (FDI) inflows having sunk to levels not seen since before the 2007-08 global financial crisis.²⁸ Public investment had also begun to fall after the spending splurge since 2009 aimed at countering the global downturn petered out and public borrowing levels had reached their limits. Long-standing problems including limited export diversification, the bloated size of the public sector, generally weak performance of state-owned enterprises (SOEs) and wasteful public spending were all evident.

*“Corruption and mismanagement were widespread as demonstrated most starkly by the **Fishrot scandal** which had arisen from the secretive way in which one of Namibia's key economic sectors had been managed over many years.”*²⁹

The IPPR notes that many of these problems had long been noted in “*countless reports*” from credit rating and international agencies and the question now is “*whether the severe economic jolt administered by the pandemic*” will lead to business as usual or a decision to implement “*far reaching reforms*”, with the recent appointments of two new senior economic policy makers – Shiimi at finance and !Gawaxab at the central bank – in favour of reform.³⁰ A much more attractive investment climate needs to be created to encourage higher FDI inflows. But,

*“This will not be achieved if property rights are unclear, if investors are forced into bed with local partners who have nothing to contribute, or if profits are taxed in a punitive way. Inevitably, creating such an environment will mean fundamentally rethinking the **National Equitable***

²⁷ Financial intermediation services indirectly measured.

²⁸ Institute of Public Policy Research, Covid-19 in Namibia Reforming The Economy, 23 Aug 2020.

²⁹ Institute of Public Policy Research, Covid-19 in Namibia Reforming The Economy, 23 Aug 2020.

³⁰ Institute of Public Policy Research, Covid-19 in Namibia Reforming The Economy, 23 Aug 2020.

Economic Empowerment Framework (NEEEF) and the Namibia Investment Promotion Act.³¹

Both of these are viewed by the IPPR as too prescriptive and potentially value-destructive by forcing investors to devise non-productive structures to accommodate empowerment goals. The report continues:

*“A better investment environment must be more open, transparent and non-discretionary than the current one and return to the approach of treating foreign and domestic investors alike. The more opaque and secretive the investment environment is, the more it will attract the wrong sort of foreign investors such as those involved in Fishrot.”*³²

The IPPR welcomes the recent move of the **Namibia Investment Centre (NIC)** into the Office of the President and the recommendations of the **High-Level Panel on the Namibian Economy (HLPNE)**, which suggest

*“... a central role for a powerful and energetic **Namibia Investment Promotion and Development Board** with the power to determine policies across the economy which affect the investment environment. There should be no more flip-flopping on investors’ property rights.”*³³

The IPPR says the HLPNE makes “*useful suggestions*” on how licences to exploit natural resources should be allocated but argues that the key is to ensure licences are granted to those capable of exploiting them for the full benefit of the country and not to rent-seeking middlemen who simply pass them on at a price. Specifically:

*“Namibia’s tax regime should be regularly compared with that of other countries and new tax measures should be carefully assessed for complexity, cost and effectiveness. In areas that are particularly controversial such as mining taxation, a public commission including impartial international tax experts should be asked to assess the tax regime and look at issues such as transfer pricing and tax evasion.”*³⁴

Diamond and gold perform better in Q2

Both diamonds and gold mining have provided a bright spot in the general economic gloom and doom. Second quarter results from **London Stock Exchange**-listed **Anglo American**, which owns an 85% equity interest in **De Beers SA**, showed that rough diamond recoveries by **Namdeb Holdings** (the 50:50 government/De Beers joint venture) rose by 7% year-on-year (y/y) to 0.4m carats in Q2 2020, although below the level of Q1. Most recoveries were made offshore, with output up 25% to 0.3m carats in Q2 (the **Mafuta** seabed crawler mining vessel was under planned maintenance a year earlier), while onshore production decreased by 70%. For the first six months of 2020, diamond production was 6% higher at 0.7m carats compared to the same period of 2019. Anglo American commented:

*“With targeted regional lockdowns in Namibia in response to Covid-19, marine operations implemented measures to enable operational continuity while safeguarding the workforce. This more than offset the decrease in production from Covid-19 at the land operations.”*³⁵

³¹ Institute of Public Policy Research, Covid-19 in Namibia: Reforming The Economy, 23 Aug 2020.

³² Institute of Public Policy Research, Covid-19 in Namibia: Reforming The Economy, 23 Aug 2020.

³³ Institute of Public Policy Research, Covid-19 in Namibia: Reforming The Economy, 23 Aug 2020.

³⁴ Institute of Public Policy Research, Covid-19 in Namibia: Reforming The Economy, 23 Aug 2020.

³⁵ Anglo American, Production report for the second quarter ended 30 June 2020, 16 Jul 2020.

Namibia mineral production Q2 2020 ³⁶					
		2020		2019	% change
	Unit	Q2	Q1	Q2	Q2/Q2
Diamonds	'000 carats	358	511	335	7.0
<i>Onshore</i>	'000 carats	53	94	90	-69.8
<i>Offshore</i>	'000 carats	305	417	245	24.5
Gold	Ounces	43,496	41,749	37,421	16.2

Canada-based **B2 Gold** reported a 6% increase in gold recoveries at its majority-owned **Otjikoto** mine to 43,000 ounces in Q2 2020, 3% above budget, with first half production 22% higher at 85,200 ounces.³⁷ This reflected extraction of higher-grade ore from the **Wolfshag** pit, where development of an underground mining operation approved in December 2019 is proceeding, with engineering work and appointment of a mining contractor. The initial mineral reserve estimate for the down-plunge extension of the Wolfshag orebody is 210,000 ounces of gold at a grade of 5.57 grams per tonne gold. Otjikoto's annual production guideline for 2020 is unchanged at between 165,000 to 175,000 ounces at a cash operating cost of between \$480 and \$520 per ounce, well below the elevated gold price, which is nudging \$2,000 per ounce. The higher gold price has boosted exploration activities by other firms, and Canada's **Osino Resources** has just begun an expanded drilling programme at the **Twin Hills** project on its 6,700 sq km exclusive prospecting licence (EPL). Twin Hills extends along 11 km of strike and is a new discovery in an old gold district near **Karibib** in central Namibia, with a recently-completed induced polarisation (IP) survey having identified five new drill-ready exploration targets.³⁸

NCC blocks sale of Ohorongo cement plant to Chinese

The continuing efforts by **Chinese** firms to take control of Namibia's modern cement works, **Ohorongo Cement**, by purchasing the majority interest (69.8%) held by **Germany's** **Ulm-based Schwenk Zement International** via wholly-owned **Schwenk Namibia**, suffered another setback in early August when the **Namibian Competition Commission (NCC)** blocked its latest bid.³⁹ **West China Cement (WCC)** was prepared to pay N\$1.5 billion (\$85m) to buy the plant, which the family-owned German company built as a state-of-the art facility near **Otavi** in the northeast to supply the domestic market and provide an exportable surplus. The plant has a capacity to produce over 1m tonnes of cement per year and uses nearby limestone deposits. Last year, another Chinese firm, **International Cement Group (ICJ)**, tried to acquire the plant but this was blocked by the **Singapore Stock Exchange** over concerns at Ohorongo's poor record of profitability and the prospect that post-merger it would be unable to repay the debt used for the transaction (see *ARC Briefing Namibia July 2020*).

The NCC deemed the bid uncompetitive because the Chinese firm also holds a majority interest in **Whale Rock Cement**, which trades as **Cheetah Cement**, and mainly imports cement products from South Africa and elsewhere. The NCC said it found that

³⁶ Anglo American, Production report for the second quarter ended 30 June 2020, 16 Jul 2020; B2Gold Reports Strong Q2 2020 results, 5 Aug 2020.

³⁷ B2Gold Reports Strong Q2 2020 results, 5 Aug 2020.

³⁸ Osino Resources Completes IP Survey Identifying Five New Drill Ready Targets and substantially increases 2020 Drill Programme at Twin Hills Gold project, 5 Aug 2020; Investor Presentation, June 2020.

³⁹ New Era, 5 Aug 2020.

“... the proposed transaction was likely to substantially prevent or lessen competition in the cement market due to coordination. This coordination is likely to lead to a strengthening of dominance and the exercise of market power to the detriment of consumers.”⁴⁰

The NCC viewed the link to Whale Rock as likely to increase the possibility of post-merger coordination; specifically,

“The target undertaking [Ohorongo] has a dominant position and post-merger, the Commission is of the considered view that given the relationships that exist between Whale Rock Pty Ltd and the acquiring group, the implementation of the proposed merger will increase and strengthen the dominant position of the merged undertaking.”⁴¹

The NCC also noted that because the barriers to entry in the cement sector are high, it was not likely that small undertakings, especially those owned or controlled by historically-disadvantaged Namibians (HDNs) would be able to gain access or be competitive.

During the NCC hearings on the proposed acquisition, potential Namibian investors claimed they had been sidelined and not given sufficient information by Schwenk to mount credible bids despite being in a position to raise the sum required. Despite initially promising that Namibian investors would be considered first should the firm decided to divest from the plant, Schwenk told the hearings there had been no interest from local buyers, so the stake had been offered to 30 international firms. One local firm, **Baobab Investors**, submitted an offer that Schwenk claimed did not meet unspecified “commercial requirements”, although the company said it had unsuccessfully attempted to meet Schwenk executives on several occasions to discuss its proposal.⁴²

Inflation stays just above 2% in July

Year-on-year (y/y) inflation was unchanged at 2.1% in July for the third consecutive month, down from 3.6% a year earlier, as inflationary pressures measured by the **Namibia Consumer Price Index (NCPI)** remained very muted (see *ARC Briefing Namibia July 2020*).⁴³ Y/y 12-month inflation to July eased further to 3.5%, while the 0.8 percentage point differential between goods inflation (2.4%) and services inflation (1.6%) was the same as in June (2.5% and 1.7% respectively). The research team at Windhoek stockbroker **IJG Namibia** believes inflation “to have more or less troughed in the last couple of months”.⁴⁴ It now forecasts slightly lower average inflation rates of 2.1% y/y in 2020 (down from 2.2% last month), rising to 3.5% in 2021 (previously 3.8%). IJG does expect “a bit of an uptick in Namibian inflation in August” after higher global oil prices led to the ministry of mines and energy raising local fuel prices at the start of the month. IJG added:

“We could see further increases in fuel prices during the rest of the year, depending on the recovery in global oil demand and the exchange rate. Despite the expected acceleration in Namibian inflation, we believe that inflationary pressure will remain relatively contained and that there will be enough room for the Bank of Namibia to cut interest rates further.”⁴⁵

The recent appreciation of the South African rand/Namibia dollar against a weaker **United States** dollar went into reverse this month. On 19 August, \$1.00= R17.26 compared to \$1.00= R16.61 on 15 July, a modest 3% depreciation. Unless the rand slides substantially against the US dollar and other major currencies in coming months, further modest depreciation would be unlikely of itself to reignite inflationary pressures, in the view of ARC.⁴⁶ In the first increase this year, unleaded petrol and diesel pump prices in Walvis Bay (where petroleum imports are landed) were raised by N\$1.00 (\$0.06) to N\$11.35 (\$0.66) per litre and by N\$0.70 (\$0.04) to N\$11.38 (\$0.66) per litre respectively.

⁴⁰ The Namibian, 17 Jul 2020.

⁴¹ The Namibian, 17 Jul 2020.

⁴² The Namibian, 17 Jul 2020.

⁴³ Namibia Statistics Agency, Namibia Consumer Price Index, July 2020.

⁴⁴ IJG Namibia, NCPI-July 2020.

⁴⁵ IJG Namibia, NCPI-July 2020.

⁴⁶ XE.Corp, XE Currency Converter (online), 19 Aug 2020.

Ministry spokesman **Andreas Simeon** also announced that the finance ministry had approved a 5% road user charge, causing a 4% increase in the levy on fuel products paid to the **Road Fund Administration (RFA)**, from N\$1.36 (\$0.079) to N\$1.41 (\$0.082).⁴⁷ Global oil prices have remained relatively stable in the past month, having recovered from the April-May trough, due mainly to declining in US inventories. The **Brent** crude benchmark rose by 1.3% to \$45.37 per barrel and **West Texas Intermediate (WTI)** by 2.1% to \$42.89 on 17 August, supported by continued production restraint by most members of the **Organisation of Petroleum Exporting Countries (OPEC)**. However, global oil traders were reported as remaining concerned about increasing Covid-19 infections in many countries, which continued to have a negative impact on demand during August.⁴⁸

Food and non-alcoholic beverages (16.5% weighting in the NCPI goods and services basket) continued as the main inflation driver in July at 6.1%, and accounted for over half the overall increase in inflation with all 13 sub-components recording price increases.⁴⁹ Again, fruit (14.7%) and vegetables (14.0%) recorded the greatest increases, while bread and cereal prices – the food staples – rose by 1.2%, in contrast to June when prices fell by 1.1%. Price deflation for transport (14.3% weighting) continued for a fourth successive month, recording a 1.2% decrease in June; the cost of operating personal transport vehicles decreased steeply again, by -7.9% for a second month in succession, although vehicle purchase costs rose for the second successive month, by 4.8% (6.5% previously). The largest NCPI component, housing and utilities (28.4% weighting), remained deflationary, at -1.5%. This was due mainly to a rental prices falling by -2.3%, more than offsetting a 4.8% rise in water supply and sewerage services (6.5% in June). Zonal inflation rates showed that of the three regions into which the NSA has divided Namibia for comparative purposes, Windhoek and its surrounding area in Khomas region (Zone 2) recorded the highest rate of 2.5% y/y, up from 2.1% in June. In contrast, inflation in northern Namibia (Zone 1) fell to 2.1%, from 2.4% in June.⁵⁰

⁴⁷ The Namibian, 3 Aug 2020.

⁴⁸ Oilprice.com (online), 17 August 2020.

⁴⁹ Namibia Statistics Agency, Namibia Consumer Price Index, July 2020.

⁵⁰ Namibia Statistics Agency, Namibia Consumer Price Index, July 2020.

Planner

10 September **(Namibia) Namibia Statistics Agency**, Annual National Accounts 2019.
 15 September **(Namibia) Namibia Statistics Agency**, August 2020 NCPI.
 21 October **(Namibia) Bank of Namibia**, Monetary Policy Committee Meeting.
 End-November 2020 **(Namibia) Regional council and local authority elections**.

Chronology

25 Aug 2020 **Windhoek (Namibia) Namib Times**. Environment, forestry and tourism minister **Pohamba Shifeta** says Namibia's borders will reopen to international travellers via **Hosea Kutako International Airport** from 1 September;

21 Aug 2020 **Windhoek (Namibia) Bloomberg**. **Namibia** and **Botswana** governments are set to sign an agreement with **United States** initiative **Power Africa** to develop solar projects of as much as 5,000 megawatts through installations built across both countries;

20 Aug 2020 **Windhoek (Namibia) The Namibian**. **Bank of Namibia** (central bank) reduces benchmark interest rate to 3.75% from 4% – the lowest interest rates have ever been;

20 Aug 2020 **Windhoek (Namibia) The Namibian**. **Bank of Namibia** (central bank) releases an updated economic outlook in which it says economic activity will fall by at least \$8.6 billion Namibian dollars (\$578m) – a contraction of 7.8% – this year;

18 Aug 2020 **Windhoek (Namibia) Reuters**. Government warns citizens not to trust claims on social media that elephant dung can cure **coronavirus**, as infections rise more rapidly;

12 Aug 2020 **Windhoek (Namibia) The Namibian**. President **Hage Geingob** says **Namibia** will reintroduce stricter **coronavirus** restrictions for 16 days at midnight following a surge in coronavirus cases;

12 Aug 2020 **Windhoek (Namibia) The Namibian**. Government paper shows it plans to ask **Germany** to fund development projects in seven regions as reparations for acts of genocide committed by the former colonial power;

10 Aug 2020 **Windhoek (Namibia) EWN**. Government says it plans to auction its 60% share of the country's annual horse mackerel and hake output to the highest bidder by the end of October, as it scrambles to raise funds for equipment and medicines to fight the **coronavirus** pandemic;

7 Aug 2020 **Windhoek (Namibia) Reuters**. Environment ministry says rhino poaching fell 63% year-on-year in **Namibia**, citing intensified intelligence operations by authorities and tougher sentences and fines for poachers;

4 Aug 2020 **Windhoek (Namibia) The Namibian**. **Namibian Competition Commission** blocks the 1.5 billion Namibian dollar (\$86m) sale of the country's biggest cement plant owner, **Ohorongo Cement**, to **China-based West China Cement Limited**, saying it would substantially prevent or lessen competition in the cement industry;

3 Aug 2020 **Windhoek (Namibia) The Namibian**. President **Hage Geingob** refuses to distance himself from his personal lawyer, **Sisa Namandje**, who has been implicated in the **Fishrot** corruption scandal;

31 Jul 2020 **Windhoek (Namibia) Namib Times**. President **Hage Geingob** in a televised speech says schools will be suspended for the second time in four months and limits on public gatherings will be tightened further amid surging **coronavirus** cases;

29 Jul 2020 **Windhoek (Namibia)** *Namib Times*. Finance ministry says government has approached the **International Monetary Fund** for a 4.5 billion Namibian dollar (\$273m) emergency loan to help the government battle the **covid-19** pandemic;

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