

AFRICA RISK CONSULTING**Namibia Monthly Briefing February 2020**

Namibia Summary 19 February 2020

Namibians worry that coronavirus (Covid-19) may spread to their country despite precautions by the government. Local Chinese business activity slumps and exports are vulnerable to lower demand and commodity prices. Former independent presidential candidate Panduleni Itula has made a second bid to overturn the results of the November presidential election after the Supreme Court of Namibia upholds the election results. The Bank of Namibia (central bank) cuts the repo rate to 6.25%. Diamond production falls by 15% but Namib Desert Diamonds (Namdia), declares an N\$80m (\$5.4m) dividend for 2019 to its sole shareholder, the Namibian government. B2Gold Namibia is expanding capacity at its Otjikoto mine and higher-grade Wolfshag open pits. Namibia is being touted as a No.1 oil exploration destination and drilling of the new onshore Kavango basin is to start this year. Inflation falls to 2.1% in January.

Coronavirus fears mount as economic impacts multiply

The deadly **coronavirus** (now renamed **Covid-19**) has been spreading throughout the world since the first outbreak occurred during December in **Wuhan**, a city in eastern **China**. Although there have been no confirmed cases of the pandemic in **Namibia**, some 20 Chinese nationals working for a granite mine were quarantined on 19 February as a precautionary measure.¹ Health officials had inspected the mine at the request of local community members, as the men had flown into Namibia legally at the end of January and had been screened on entry at **Windhoek's Hosea Kutako International Airport**. Prior to this, one suspected local case tested negative and two potential cases were discounted, as they did not match the Covid-19 profile. The **Ministry of Health and Social Services (MHSS)** has intensified surveillance activities at all entry points, where officials have been instructed to ensure incoming visitors complete forms indicating their recent travels.² Several isolation facilities have been set up, including a ward at Windhoek's central hospital. Health minister **Kalumbi Shangula** commented:

"Every passenger who is coming into Namibia, whether from China or from any other country in the world, is subjected to a thorough screening. If anybody displays symptoms of being infected with the virus, that person is isolated immediately and monitored."³

Despite all this, Namibians reportedly remain wary of the country's preparedness for a local outbreak. **Walvis Bay** urban constituency councillor **Knowledge Ipinge** – who won the seat as an independent in January – has written to home affairs minister **Frans Kapofi** requesting that visa application approvals for all Chinese nationals be temporarily suspended.

The principal impact could turn out to be economic in view of the pandemic's effects on the global economy and commodity prices. A sharp downturn in local trading activities by the resident Chinese community has already occurred. Many Chinese business and retail store-owners have delayed returning after their year-end break in China. Windhoek's **Chinatown**, a vast complex of nearly 200 retail, wholesale, food and electronic outlets in the capital's northern industrial district, is reported to be much quieter than normal. In one block of 90 shops, 20 have not re-opened since the start of 2020. Businessman **Brian Lee** said the Chinese community, China's embassy and the **Chinese Chamber of**

¹ IOL News, 19 Feb 2020.

² International Business Times, 5 Feb 2020; The Namibian 30 Jan 2020.

³ International Business Times, 5 Feb 2020; The Namibian 30 Jan 2020.

Commerce are trying their "very best to prevent people from returning from China to Namibia ... during this period".⁴ Chinatown caters to retail shoppers but also sells bulk to online and bricks-and-mortar boutiques in other parts of Namibia. To make matters worse, some local staff are reluctant to continue working for the Chinese.

Namibia's exports principally comprise raw and semi-processed mineral products – rough diamonds, uranium oxide, copper and zinc – which will be affected by weaker global demand, from China in particular. Gold is the one exception (see below). Lower global demand for minerals will reduce the already uncertain prospect that Namibia's economy will resume positive growth this year, although fractional real GDP growth may be recorded. Analysts are currently predicting that the coronavirus pandemic could be worse for the global economy than the outbreak of **SARS**, a similar acute respiratory syndrome, in 2002-03, partly because China now accounts for a bigger share of the global economy. **Oxford Economics** analysts currently project China's annual GDP growth will fall by almost one percentage point to 5.4% in 2020, reducing global output by 0.25 percentage points to 2.3%.⁵ World trade in goods is also likely to fall considerably and the **World Trade Organisation (WTO)** expects Covid-19 to have a widespread impact. It commented:

*"Every component of the goods trade barometer will be influenced by the economic impact of Covid-19 and the effectiveness of efforts to treat and contain the disease."*⁶

Global commodity markets are also said to be facing their biggest demand shock since the 2008-09 global financial crisis. Oil, gas, copper and iron ore prices have fallen sharply since the severity of the outbreak became clearer (see below). **Denmark-based Saxobank's** commodity strategy head **Ole Hansen** said the markets for commodities continue to bear the brunt of the Covid-19 outbreak:

*"With China being the world's most dominant consumer of raw materials, the impact has been felt strongly across key commodities."*⁷

Itula makes second bid to overturn presidential poll results

The **Supreme Court of Namibia** on 5 February refused to order a re-run of the 27 November presidential poll won by President **Hage Geingob** (2015-present).⁸ Even so, opposition parties are claiming victory. While the unanimous ruling announced by Chief Justice **Peter Shivute** deemed that the applicants, led by former independent presidential candidate **Panduleni Itula**, had produced insufficient evidence that they had consistently challenged the **Electoral Commission of Namibia (ECN)** over its deployment of electronic voting machines (EVMs), Shivute deemed the unmodified use of EVMs to be unconstitutional, and therefore void and set aside. Opponents of the EVMs had claimed that they do not provide a verifiable voter paper audit trail (VVPAT) (see *ARC Briefing Namibia, December 2019, January 2020*).⁹

Itula, who came a strong second to Geingob in the presidential poll and remains a member of the ruling **South West African People's Party (SWAPO Party of Namibia)**, lodged a second application on 10 February. This seeks to have the court reconsider its ruling in line with Article 81 of Namibia's constitution, which would if upheld mean the presidential election result would be voided and another poll held within 30 days.¹⁰

Itula's latest challenge is backed by most opposition parties, including the **Popular Democratic Movement (PDM)**, the official opposition in the **National Assembly (NA)**; the **Landless People's Movement (LPM)**, the **Rally for Democracy and Progress (RDP)**, the **National Unity Democratic Organisation (NUDO)**, the **Namibian Economic Freedom Fighters (NEFF)**, **Republican Party (RP)**

⁴ International Business Times, 5 Feb 2020.

⁵ The Times, 8 Feb 2020.

⁶ The Times, 8 Feb 2020.

⁷ The Times, 8 Feb 2020.

⁸ The Namibian, 6 Feb 2020.

⁹ The Namibian, 6 Feb 2020.

¹⁰ New Era, 12 Feb 2020.

and **All People's Party (APP)** although not all have joined in as applicants. Itula's application is based on the court choosing not to grant a remedy for the breach of the constitution and Namibia's **Electoral Act**, which it identified. The Act's sections requiring a verifiable paper trail for EVM's were not implemented expressly due to a cabinet decision of October 2014. Itula commented:

*"The result is that the Supreme Court, while upholding that the elections were not lawfully conducted, was not prepared to do what other courts would have done: to give victims of the violation a remedy by setting the election aside and ordering a re-run. I know that very many Namibians feel an injustice has been done."*¹¹

The LPM and NUDO have demanded the dismissal of the ECN's chief electoral and referenda officer, **Theo Mujoro**, and the five ECN commissioners. NUDO secretary general **Josef Kauandenge** said ECN commissioners cannot be allowed to run elections with impunity and lack of respect for constitutional and electoral provisions.¹²

Itula has meanwhile declared his campaign for social justice and ending official corruption will continue, although there are suggestions by some commentators that his real aim is to oust Geingob and reinstate control over the ruling party by the so-called '**Omusati**' faction loyal to former president **Sam Nujoma** (1990-2005) and block further reforms or any reduction in SWAPO's political dominance.¹³ While Geingob has not commented directly on the court proceedings, he is clearly worried that continued political uncertainty could be storing up problems. In a statement at the start of a cabinet meeting on 4 February, he reportedly warned that he had seen signs of a civil war building up in Namibia, with some failed politicians alleged to be instigating young people. He expressed concern at the extent to which people had become greedy to the point that they are now "*jealous of other people's possessions*".¹⁴ He remarked that "*everywhere, young people are angry*" because they don't have jobs and feel left out but there are politicians who are igniting that anger and "*directing it towards destruction of property and so on*".¹⁵

Central bank cuts its repo rate by 25 basis points

The **Bank of Namibia (BoN)** (central bank) cut its repurchase (repo) rate by 25 basis points to 6.25% at its **Monetary Policy Committee (MPC)** meeting on 18 February, replicating the surprise New Year interest rate reduction made by the **South African Reserve Bank (SARB)** in January. The BoN's 19 February **Monetary Policy Statement** did not allude directly to the SARB's action the preceding month, saying it resulted from "*a review of global, regional and domestic economic and financial conditions*", and also repeated the usual mantra that it was "*to support domestic economic activity and to maintain the one-to-one link between the Namibia dollar and the South African Rand*".¹⁶ It was predicted that the central bank would follow the SARB's lead in deciding to loosen monetary policy, given the close financial links between the two countries and to underpin the Namdollar/rand currency link. The same unfavourable socio-economic conditions cited as the reasons for the SARB's interest rate cut are currently replicated in Namibia, which is heavily influenced by the performance of the much bigger South African economy. Namibian newspaper editor **Daniel Steinmann** speculated before the BoN interest rate decision that the central bank might cut interest rates to a historically low level later this year:

*"With inflation where it is, comparable to inflation of the 1960s, there is room for a cut bigger than the expected 25 percentage point adjustment."*¹⁷

¹¹ New Era, 12 Feb 2020.

¹² New Era, 7 Feb 2020.

¹³ John Grobler, Facebook, 30 Jan 2020.

¹⁴ The Namibian, 5 Feb 2020.

¹⁵ The Namibian, 5 Feb 2020.

¹⁶ Bank of Namibia, Monetary Policy Statement, 19 Feb 2020; South African Reserve Bank, Statement of the Monetary Policy Committee, 16 Jan 2020

¹⁷ Namibia Economist, 4 Feb 2020.

SARB governor **Lesetja Kganyago** noted that South Africa's domestic outlook remained "*fragile*" and "*vulnerable to idiosyncratic shocks and poor sectoral performances*", with recent monthly inflation lower than the mid-point of the **Consumer Price Index (CPI)** 3%-6% y/y inflation target range.¹⁸ The SARB's medium-term inflation outlook has been revised down to 4.7% in 2020 (from 5.1%). The SARB now puts South Africa's real GDP growth at 0.4% in 2019 (down from 0.5%), and cut projected growth for 2020 to 1.2% (from 1.4%), with "*risks to the growth forecast on the downside*". Kganyago reaffirmed that the "*broad policy guide*" for the implied path of policy rates this year continued to indicate two repo rate cuts of 25 basis points each in the first and fourth quarters.¹⁹ On that basis, Namibia can expect a further loosening of monetary policy by the BoN later this year also.

The BoN confirmed that domestic economic activity contracted in 2019 compared to marginally positive growth in 2018, due to declining activity in the agriculture, mining, manufacturing, wholesale and retail trade sectors. It added that the domestic economy "*is projected to improve in 2020*", without providing any supporting analysis; overall inflation is forecast to average below 5% this year (which would be higher than last year's annual inflation rate, see below).²⁰ It noted that since the previous MPC meeting in October, the annual growth rate in private sector credit extension (PSCE) had risen to 7.2% at the end of December, up from 6.4% two months previously, indicating some pick up in economic activity. PSCE growth averaged 6.8% in 2019, up from 6.3% in 2018. Less positively, Namibia's stock of international reserves decreased to N\$31.0 billion (\$2.1 billion) as at end-January 2020, down 5% from the end-October 2019 level of N\$32.5 billion (\$2.2 billion), presumably due to higher foreign outflows, although this was not stated. Coverage of imports of goods and services was stated to be slightly higher at 4.4 months, up from 4.3 months at end-October.²¹

Rough diamond output falls by 15%...

Rough diamond recoveries by the 50:50 government/**De Beers Group** joint venture **Namdeb Holdings** decreased by 10% year-on-year (y/y) in the final quarter of last year, reducing annual output for 2019 by 15% to 1.7m carats, the lowest production level for five years.²² The decrease was in line with the 15% y/y fall in De Beer's 2019 global rough diamond production (which includes mines in **Botswana, Canada** and South Africa as well as Namibia) to 7.8m carats. Covid-19 is expected to have a depressant impact on global jewellery demand this year (see above). The firm, in which **London Stock Exchange (LSE)**-registered **Anglo American** holds an 85% equity interest and the Botswana government 15%, said that while trading conditions had improved (as of January before the spread of Covid-19 became evident) since Q3 of last year, output was reduced "*in response to softer rough diamond demand conditions experienced in the year*". Global rough diamond sales were 8% lower at 30.9m carats in 2019, with overall demand impacted by what De Beers termed "*challenges in the midstream with higher polished inventories and caution due to macro-economic uncertainty*".²³ The average realised price was down by a fifth at \$137 per carat compared to 2018, due mainly to a higher proportion of lower value gemstones sold and a 6% decrease in the rough diamond price index.

Evidence of an early-2020 pickup in demand was highlighted by De Beers' first sale of the year in **Gaborone** (Botswana). The provisional sales value was \$545m, up from \$426m in the last of 2019, and \$500m for the first of last year. De Beers Group CEO **Bruce Cleaver** commented: "*Demand for rough diamonds increased during the first Sight of 2020 following the end of year selling season and subsequent inventory restocking*".²⁴ However, the sale took place before the extent of Covid-19 infection rates became apparent and this is likely to depress Chinese demand for diamond jewellery.

¹⁸ South African Reserve Bank, Statement of the Monetary Policy Committee, 16 Jan 2020.

¹⁹ South African Reserve Bank, Statement of the Monetary Policy Committee, 16 Jan 2020.

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

²¹ Bank of Namibia, Monetary Policy Statement, 19 Feb 2020.

²² Anglo American, Production Report for the fourth quarter ended 31 December 2019, 23 Jan 2020.

²³ Anglo American, Production Report for the fourth quarter ended 31 December 2019, 23 Jan 2020.

²⁴ De Beers Group Media Release, De Beers Groups Rough Diamond Sales for Cycle 1, 2020, 29 Jan 2020, Gaborone, Botswana.

While the **United States (US)** remains by far the biggest market, accounting for some 45% of global sales by value, China has become the second largest consumer since the 1990s.

Petra Diamonds, which is listed on **London (UK)**'s **Alternative Investment Market (AIM)** and operates mines in South Africa and **Tanzania** – mainly acquired from De Beers – reported a drop in first half sales to 31 December due to lower prices despite raising output by 3%. In a mid-February update, Petra chief executive **Richard Duffey** reported a \$10m loss in the second half of 2019, warning that Covid-19 would impact the diamond market this year due to a reduction in trading activity as a result of the disease's spread.²⁵

In Namibia, the output decrease was driven by a 10% drop in recoveries to 1.3m carats by deepwater offshore operator **Debmarine Namibia**, which in recent years has accounted for around 75% of Namdeb recoveries. From a smaller base, onshore recoveries plummeted by just under a third, reflecting last year's closure of the large **Elizabeth Bay** mine just to the south of **Luderitz** and lower grades at the land-based operations just to the north of **Oranjemund** (see *ARC Briefing Namibia October 2019*).

Namdeb diamond production 2018-2019 ²⁶						
('000 carats)						
	2019		2018		% change	
	Q4	Year	Q4	Year	Q4	Year
<i>Offshore</i>	363	1,292	400	1,436	-9	-10
<i>Onshore</i>	93	408	105	572	-11	-29
Total	456	1,700	505	2,008	-10	-15

...but Namdia makes more money...

In contrast, **Namib Desert Diamonds (Namdia)**, which sells a proportion of Namibian rough diamonds directly to the global market, has declared an N\$80m (\$5.4m) dividend for 2019 to its sole shareholder, the Namibian government. A cheque for this amount was publicly handed over to Namdia's line ministers – mines and energy minister **Tom Alweendo** and public enterprises minister **Leon Jooste** – in December, and represents a 60% increase on a maiden N\$50m (\$3.6m) dividend paid for 2018.²⁷

Namdia was established following conclusion of a new ten-year marketing agreement for Namibian rough diamonds between the government and De Beers in May 2016, which for the first time provided a proportion of Namdeb's run-of-mine output, equivalent to some 15% by value, to be made available for direct sale by an independent, government-owned concern. The agreement also provided for \$430m of rough stones to be offered annually to the Windhoek-based government/De Beers-owned **Namibia Diamond Trading Company (DTC)** for beneficiation by local diamond cutting and polishing firms (see *ARC Briefing Namibia May 2016*).²⁸ Namdia's stated strategic objectives include: price discovery and revenue maximization for Namibian diamonds; optimisation of marketing and delivery mechanism for allotted rough diamonds; exploring future upside opportunities further down the value chain in the international diamond pipeline; positioning and branding of Namibia in the global market.²⁹

²⁵ Evening Standard, 27 Jan 2020; City AM, 18 Feb 2020.

²⁶ Anglo American, Production Report for the fourth quarter ended 31 December 2019, 23 Jan 2020.

²⁷ The Namibian, 13 Dec 2019; Namdia Facebook page.

²⁸ De Beers Group, Media Release, Namibia and De Beers Sign Milestone 10-Year Rough Diamond Sales Agreement, 16 May 2016.

²⁹ Namdia website.

Namdia's latest annual report shows it purchased and sold some 304,033 carats through ten sales transactions during the year to end-February 2019, a 17% increase over 2017/18, for gross revenue of N\$2.27 billion (\$153m), up 18%.³⁰ The average realised price per carat was \$553, up from \$537 in 2017/18. Namdia's buoyant revenues reflected Namdeb's higher production in 2018 (a post-independence record 2.0m carats) and stronger global diamond market. After allowing for the cost of sales (mostly purchases from Namdeb), gross profit was N\$274m (\$18.4m), operating profit N\$234m (\$15.7m), with after-tax profits of N\$162m (\$10.9m), an increase of 16%, of which under half was paid out to the government, while Namdia also paid N\$77m (\$5.2m) in tax.³¹

Local media had previously reported governance issues at Namdia which was also criticised for a lack of transparency in its marketing operations amidst claims that it was selling its share of diamond production too cheaply, including to some **Gulf** states. Alweendo appointed a new five-member board of directors in December. He noted the minister no longer had the authority to hand-pick board members with the process now being done on a consultative basis, "*where the idea is to strengthen the system and process being followed*".³² Only one of the existing board members was retained, with outgoing chair **Shakespeare Masiza** replaced by the central bank's exchange control and legal services director **Brian Eiseb**. The appointments are for three years to mid-December 2023. **Kennedy Hamutenya**, Namibia's former **Diamond Commissioner** and a nephew of the late Namibian political leader **Hidipo Hamutenya** who died in 2016, remains Namdia chief executive officer.

... as Otjikoto raises output and is going underground

Namibia's biggest producer, the **Otjikoto** mine southwest of **Otavi** in **Otjozondjupa** region, produced just under 177,966 ounces of gold doré last year, up 6% from the previous year's 167,346 ounces.³³ The gold is all exported to South Africa's **Rand Refinery**. Canada-based **B2Gold**, which owns an 90% equity interest in operator **B2Gold Namibia** (local firm **EVI Mining** owns 10%), is expanding the mine's capacity through phase 3 pre-stripping developments at both the Otjikoto and higher-grade **Wolfshag** open pits. In December, development of the Wolfshag underground mine was approved for an estimated \$57m capital cost, covering completion of an internal study to production of the first stope ore, currently scheduled for Q1 2022. Initial work is due to start in Q3 this year and the underground mine is designed to open access to more high-grade ore. Production guidance for 2020 is 165,000-175,000 tonnes, based on the continued blending of high-grade ore from Wolfshag with medium grade material from Otjikoto. Cash operating costs are forecast at \$480-\$520 per ounce this year, some 7% less than the 2019 guidance range.³⁴ At the currently high gold price, Otjikoto looks to be generating strong cashflow.

While prices for most other mineral commodities have tanked since the start of this year, that for gold – a traditional recourse for investors during periods of heightened global political and economic risk – has risen strongly, posting a decade record 19% gain in US dollar terms in 2019. The spot price stood at \$1,581 per ounce on 17 February.³⁵ The high price has increased interest in Namibian exploration opportunities. Canadian newcomer **Antler Gold** is acquiring an initial 75% interest (with a right to buy the remaining 25%) in a 33 sq-km exclusive exploration licence (**EPL 5455**) just west of the town of **Usakos** in **Erongo** region. **Toronto Stock Exchange Venture Exchange (TSX-V)**-listed Antler is paying C\$150,000 (\$114,000) for its stake, and will also issue shares worth C\$25,000 (\$18,900) to the vendor, an unidentified, private local company, whose shareholders are stated to be arms-length.³⁶ The firm says the area surrounding the licence contains both the Otjikoto and **Navachab** gold mines in the **Damara Supergroup** geological formation, along with the **Karibib** gold project of another

³⁰ Namdia Annual Report, 2018/19

³¹ Namdia Annual Report, 2018/19

³² The Namibian, 13 Dec 2019.

³³ B2Gold Reports Record 2019 Annual Production, 15 Jan 2020.

³⁴ B2Gold Reports Record 2019 Annual Production, 15 Jan 2020.

³⁵ Reuters, 17 Feb. 2020; Goldprice.org, 17 Feb. 2020.

³⁶ Namibia Economist, 17 Jan 2020, Antler Gold press release, 12 Dec 2019.

Canadian firm, **Osino Resources**. The latter company holds 22 EPLs covering 7,500 sq km within the central and northern zones in the Damara gold belt.³⁷

Oil exploration moves up several gears

With up to four offshore exploration wells due to be spudded this year and next, Namibia's hopes of a commercial discovery are rising again, after all wells drilled so far proved to be dry. In the latest development, **France**-based oil company **Total** has hired a **Maersk Drilling** vessel to conduct an eight-month three-well exploration drilling campaign in **Angola** (two wells) and Namibia (one well) this year.³⁸ Late last year it awarded French offshore vessel owner **Bourbon** an integrated logistics contract for drilling its **Venus 1** prospect on Block 2913B at the western edge of the **Orange** basin near to the maritime boundary with South Africa. The well will be one of the deepest-ever drilling offshore Africa and is targeting 2 billion barrels of oil in a giant basin floor fan.³⁹ Oil analysts are rating the potential as high, due to Namibia's two most prospective sedimentary basins – Walvis Bay and Orange– containing geological structures and oil traps similar to **Brazil's** offshore pre-salt fields.

Last year, one online oil news provider designated Namibia as “*The No.1 Oil Hotspot for 2020*”, calling it “*one of the friendliest oil and gas regimes in Africa*” due to a 5% royalty rate, no pre-production bonus requirements and a petroleum tax on producing fields capped at 35%. Despite absence of any proven offshore reserves, Namibia was deemed to have “*the most upside there is to offer in Africa and for investors who want the biggest reward, this is the place to be when the first explorer strikes it big*”.⁴⁰ It's the main reason, despite the weak global oil price of the past two years, that oil majors such as US-based **ExxonMobil**, **Netherlands**-based **Shell Exploration**, and **Total** have either farmed into existing acreage or taken up exploration permits in their own right. Last August, state-owned **Qatar Petroleum** became a first-time entrant by partnering with **Total** on two adjoining Orange blocks. **Total** and **ExxonMobil** will each drill one well on the Orange and Walvis basins respectively this year, with a further two due to be spudded by **Exxon** (Walvis) and **Shell** (Orange) in 2021. **Australia**-based **Pancontinental Oil & Gas**, the largest net acreage holder in the Orange basin with just over 8,000 sq km, commented:

“Success with any one of these four wells will dramatically shift sentiment towards Namibia-focused explorers.”⁴¹

But the newly discovered onshore **Kavango** deep sedimentary basin is currently generating a lot of excitement in oil industry circles. Canada's **Reconnaissance Energy Africa (ReconAfrica)** acquired a 90% interest in petroleum exploration licence (PEL) 73 covering 25,000 sq km of northeastern Namibia last year, with **National Petroleum Corp. of Namibia (Namcor)** holding 10%.⁴² Recon will have the right to apply for a 25-year production licence if a commercial discovery is made, and intends to start a three-well exploration drilling programme in June, using a drill rig bought from a **Houston** (US)-based firm. The TSX-V listed firm decided the purchase would be only 45% of the cost of hiring equipment from international drilling contractors.⁴³ The drilling campaign's main object is to confirm organic-rich shales and conventional hydrocarbon opportunities as ReconAfrica believes the basin is “*optimally conducive to a functioning petroleum system*”. Based on existing seismic data, Canada's **Sproule International** estimates the basin has a potential for 12 billion barrels of shale oil and 119 trillion cubic feet of natural gas, and is analogous to the **Eagle Ford** deposit in **Texas** (US) where 2.4 billion barrels of oil and 50 trillion cubic feet of gas are deemed to be technically recoverable.

³⁷ Antler Gold Press release, 12 Dec 2019; Osino Resources website.

³⁸ Pancontinental Oil & Gas, AGM Presentation, 28 Nov. 2019, Qatar Petroleum, 27 Aug 2019.

³⁹ Offshore Energy Today.com, 14 Jan. 2020, 18 Nov. 2019.

⁴⁰ Oilprice.com, 4 Nov 2019.

⁴¹ Pancontinental Oil & Gas, AGM Presentation, 28 Nov. 2019, Qatar Petroleum, 27 Aug 2019.

⁴² ReconAfrica, Newly Discovered Kavango Basin, Namibia, investor presentation, December 2019.

⁴³ Namibia Economist, 7 Feb 2020.

This is not the first time an onshore oil prospect has raised hopes of a commercial discovery. Over a decade ago, an **Ireland**-based **Circle Oil** was optimistic about finding oil and gas in the 70,000 sq km **Ovambo** basin in which it held a 90% interest. But no drilling ever took place as a 2008 farm-out agreement for transfer of a 70% interest to **Dubai**-based **Dutch** trading company **Petroholland** fell through.⁴⁴ Circle subsequently shifted its focus to **North Africa**. Houston-based **Frontier Resources International** acquired the two blocks covering 18,900 sq kms of the basin in 2011, where it detected oil and gas indicators from initial seismic data analysis, but did no further work.⁴⁵

Inflation falls to just above 2%

Year-on-year (y/y) inflation decreased by just over half a percentage point to 2.1% in January from 2.6% the previous month. This took Namibia's annual inflation rate to the lowest level since 2011 when it averaged 3.4%; during the past two decades inflation has only been lower in 2005 (1.4%) according to **Namibia Consumer Price Index (NCPI)** figures.⁴⁶ Windhoek stockbroker **IJG Namibia** noted:

*"Namibian annual inflation has been slowing almost consistently since November 2018, and is currently trending at levels last seen in 2005."*⁴⁷

IJG pointed to a 1.5% price decrease in annual rental payment adjustments during January for the dwellings sub-category of housing, water and fuels. This has the biggest weighting at 28.4% in the NCPI basket of goods and service. It recorded 1.2% deflation in January, compared to a 1.9% increase in December. IJG commented:

*"As the tough economic conditions persist, it is ever more difficult for landlords to push up rental prices. As rental payments make up a large portion of the CPI basket, the deflationary adjustment means that Namibian annual inflation in 2020 is likely to be well below Namibia's long run average."*⁴⁸

Accordingly, IJG's inflation model is forecasting average annual inflation at 3.3% in 2020, down from 4.6% last year.

The inflation differential between goods and services has narrowed sharply with goods' prices rising faster than those of services for the first time in more than a year at 2.6% y/y (2.0% in December) and 1.3% (down from 3.4%) respectively. The key factors weakening inflationary pressures continue to be the fall in crude oil prices and relative stability of the rand's foreign exchange value, although it has recently begun depreciating again. The price of **Brent** crude, the global oil benchmark, while remaining volatile, has fallen from about \$65 per barrel in mid-January to below \$60 in mid-February, with only the prospect of further production cuts by the **Organisation of Petroleum Exporting Countries (Opec)** said to be preventing a further slide.⁴⁹ The global oil price enabled the government to keep domestic fuel prices unchanged for the seventh successive month in February.

Despite unchanged local fuel prices, transport (14.3% weighting) inflation more than doubled to 5.0%, from 2.0% in December, due to the (unexplained) cost of operating personal transport soaring by 6.1% (0.8% in December), while vehicle purchase costs rose by 4.6% (4.3% previously). The other major sector recording higher y/y inflation in January was food and beverages (16.5% weighting), at 2.2%, up from 1.9% in the preceding month, with food prices alone rising from 1.7% in December to 2.1%. Fruit prices went up by 13.8% (11.6% previously), and fish prices by 7.9% (3.2%), but bread and cereals prices (the biggest weighting of nine food sub-categories), rose only fractionally again, by 0.3% compared to 0.2% previously.⁵⁰

⁴⁴ Africa Energy Intelligence, 28 April 2010.

⁴⁵ Frontier Resources International, Blocks 1717 & 1817 Namibia, investor presentation, December 2011.

⁴⁶ Namibia Statistics Agency, National Consumer Price Index, January 2020.

⁴⁷ IJG Namibia, NCPI-January 2020.

⁴⁸ IJG Namibia, NCPI-January 2020.

⁴⁹ The Times, 8 Feb 2020.

⁵⁰ Namibia Statistics Agency, National Consumer Price Index, January 2020.

Planner

12 Mar 2020 **(Namibia) Statistics Agency**, February 2020 NCPI;
 12 Mar 2020 **(Namibia) Statistics Agency**, Annual Trade Statistics Bulletin 2019;
 2020 **(Namibia)** Regional council and local authority elections

Chronology

19 Feb 2020 **Windhoek (Namibia) The Namibian**. Health officials quarantine a group of about 20 **Chinese** nationals working for a granite mine as a precautionary measure amid the global **Coronavirus** outbreak;

18 Feb 2020 **Windhoek (Namibia) The Namibian**. **Anti-Corruption Commission** investigates a complaint embroiling former justice minister **Sacky Shanghala's** personal assistant in a NAD4m (\$267,000) payment for renovations at the works ministry that were allegedly never done;

17 Feb 2020 **Windhoek (Namibia) The Namibian**. Suspended **National Fishing Corporation** boss **Mike Nghipunya** is arrested in connection with the **Fishrot** corruption scandal;

17 Feb 2020 **Windhoek (Namibia) Mining Review**. **Canada-listed Namibia Critical Metals** announces details of the **Term 1** planned work programme for its **Lofdal Heavy Rare Earth Project** with **Japan-based JOGMEC**;

13 Feb 2020 **Ongwediva (Namibia) iol**. **Germany-based** carmaker **Volkswagen** opens a new dealership in **Ongwediva**, north Namibia, which employs 13 people;

12 Feb 2020 **Windhoek (Namibia) Mining.com**. **South Africa-based White Metal Resources, Luxury Investments One Hundred and Ninety-Two, Kalahari Copper and Newco Management Team** sign a non-binding MoU to work together on examining small-scale production possibilities in **Namibia**;

5 Feb 2020 **Windhoek (Namibia) Namib Times**. **Supreme Court of Namibia** upholds the results of the November 2019 presidential election, saying the challengers failed to prove ruling party manipulation of electronic voting machines;

3 Feb 2020 **Windhoek (Namibia) The Namibian**. Independent power producer **Arandis Power** targets the **South African** power market by offering South African state power utility **Eskom** 120-megawatts if and when it receives approval to build a power station in Namibia;

27 Jan 2020 **Windhoek (Namibia) The Namibian**. Secret documents from the **Luanda Leaks** corruption scandal against **Angolan** billionaire **Isabel dos Santos** suggest that the **Bank of Namibia** (central bank) gave dos Santos' bank, **Bank BIC**, the green light without completing due diligence on her businesses;

24 Jan 2020 **Windhoek (Namibia) New Era Live**. **Transparency International** scores **Namibia** 52/100 on its latest **Corruption Perceptions Index**, a slight decline compared to 53 last year;

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