

MEDIA RELEASE
1 February 2022
FOR IMMEDIATE RELEASE

YEAR AHEAD: FISCAL TRAJECTORY SEEMS REALISTIC GIVEN EXPECTATION FOR GROWTH TO LIFT

According to the Africa Year-ahead Outlook from Rand Merchant Bank's (RMB) Markets Research team, optimism on growth in Namibia over the medium term are based on the efforts of both the private and public sectors to increase renewable energy across the country.

Says Daniel Kavishe, Africa Economist at RMB: "Prospective investments towards projects like the Southern Corridor Development Initiative will boost Namibia's growth and development trajectory. In the short term, mining and agriculture are expected to remain growth-positive and are key anchors for our 2022 forecasts. To a lesser extent, investments in renewable energy infrastructure projects will also support growth in the short to medium term."

On mining, the new vessel from Debmarine is expected to boost offshore drilling plus diamond activity onshore will add to sectorial growth. Notwithstanding, output from uranium and other commodities such as gold is expected to improve in the next few years. "On the back of this, we expect growth in 2022 to come in at 3.0% before lifting further to 3.5% in 2023 as some of the energy projects come online," says Kavishe.

He cautions, however, that an overarching risk for the country remains COVID-19 and its effects on both the healthcare sector and the wider economy. With only 16% of the eligible population fully vaccinated, additional waves have the potential to significantly slow the country's economic momentum and derail efforts of a broad-based recovery. A key sector likely to continue facing challenges is tourism. While occupancy rates improved in 2021, RMB expects the sector to bounce back to pre-pandemic levels only in 2023.

"On inflation, our estimate is for an average 4.0% in 2021 before lifting to 4.3% in 2022 as demand in the economy rebounds and supply side pressures remain elevated. Food and transport inflation are likely to be contained in 2022 but still above their long-term growth averages, with the lagged effects of fuel price increases in particular to persist during the course of the year" adds Ruusa Nandago, FirstRand Namibia Economist.

RMB expects the Bank of Namibia to hike interest rates over the course of 2022 as regional central banks start signalling a normalisation of monetary policy. Says Nandago: "We expect interest rates to end the year at 4.50%, 75bp higher than current levels."

However, inflation is not anticipated to be the main catalyst for the rate hikes. Rather, any increases will be attributed to capital outflow prevention as markets reprice higher given the higher regional interest rate environment.

According to Nandago the budget deficit is expected to narrow over the next few years as overall revenue improves in line with the continued recovery in the mining sector. Diamond sector royalties should be a key booster to tax revenue, notwithstanding overall SACU revenue recovery. Meanwhile, normal revenue from corporate and income tax is expected to lift over the horizon as the economy recovers.

Says Nandago: “On the expenditure side, we do not anticipate a significant increase over the short to medium term given the government’s broader target of fiscal consolidation. We have revised our budget deficit estimate to -6.7% of GDP in 2022 — better than the government’s expectation of -7.3%. The improving revenue profile will allow the government to consolidate to -3.4% of GDP by FY24/25. All things remaining equal, the current fiscal trajectory seems realistic given our expectation for growth to lift and revenue collection to improve.”

ENDS//

CONTACT

For more information, please contact Elzita Beukes, Group Communications Manager at FirstRand Namibia Limited on telephone: (+264 61) 299 2125, or Elzita.Beukes@fnbnamibia.com.na.