

NAMIBIA

Windhoek (gtai) – Despite its small market size, Namibia’ stable economic growth has attracted the attention of German companies. Aside from the traditional areas such as mining and energy, there are opportunities in the construction industry. The housing shortage requires innovative solutions for the construction of affordable houses. The potential of the tourism sector is not at all exhausted; new lodges are needed to increase available beds. Important topics are the diversification of the economy and reduction of imports.

ECONOMIC PROSPECTS

Namibia is one of the smaller southern African economies. Although it is more than double the size of Germany, with an area of 824,000 km², its 2.3 million inhabitants mean it is one of the most sparsely populated countries in the world. In terms of the size of its GDP, the gap between Namibia and the regional economic powers of South Africa, Angola and Zambia is vast. However, Namibia has a significantly higher growth dynamic compared to its neighbours. The average rate of increase in GDP between 2011 and 2015 was 5.5% (South Africa 2.1%, Angola 4.7%).

Its small size makes it highly dependent on developments in Angola and South Africa, which is by far its most important economic partner and accounts for about 50% of its trade. The exchange rate of the Namibian dollar is tied 1:1 to the South African rand. Many Angolans travel to Namibia to shop, and for medical treatment and other services which is why Namibia is bearing the brunt of the poor economic situation in these two countries.

Combined with other factors such as low global commodity prices and a severe drought, the Bank of Namibia is expecting see a dip in the economy’s growth rate for 2016. According to forecasts, GDP growth is expected to reach only 2.5%. However, in the medium term many economists remain positive. For example, EIU estimates an average increase of 4.6% a year from 2017 to 2020. The IMF is even more optimistic with a forecast of 4.9%. This would make Namibia the fastest-growing economy in southern Africa after Mozambique and Zambia.

INVESTMENTS

A good investment climate is one of Namibia’s greatest advantages. It is one of the most politically stable states on the African continent. Since independence from South Africa in

1990, there have been a number of free and fair elections, all won by the South-West Africa People’s Organisation (Swapo). At the same time, the party was able to further expand its popularity among the people. In the 2014 parliamentary elections, Swapo achieved an outstanding majority of 80.1%. Party leader Hage Geingob won the concurrent presidential elections with 86.7% of the votes.

For many years, Namibia has distinguished itself with its very solid and conservative fiscal policy. Government debt could be kept below 30% of GDP. However, recently there was a sharp slump in government revenues due to the low global commodity prices, the most severe drought in decades and the absence of Angolan shopping tourists due to the poor economic situation there.

In addition, approximately 35% of the public revenue comes from the Southern African Customs Union (SACU), which includes Namibia, South Africa, Botswana, Lesotho and Swaziland. While the vast majority of tariff revenues are generated by South Africa’s overseas imports, the apportionment formula ensures that the money collected benefits the small countries like Namibia. However due to South Africa’s weak economy, SACU revenues are falling noticeably.

CONSUMPTION

Private consumption is central to Namibia’s economic development. Consumer spending in 2015 had a share of around 62.5% of the utilisation of GDP. A growing middle class with increasing income has ensured a boom in retail over the last few years. As in 2013 and 2014, there were even double-digit sector growth.

Consumer spending is also expected to rise strongly in the future. EIU expects a real increase of 3.7% per annum from 2017 to 2020.

Therefore, the prospects for the retail sector are looking good, which will likely allow Namibia to attract further investment through retail franchises. The malls of the country are already strongly influenced by South African franchises like Pick n Pay, Shoprite, and Game.

FOREIGN TRADE

The export share of minerals and ores, such as diamonds, uranium and zinc, fluctuated between 42% (2014) and 44% (2015). Demand for imports is very high overall. The top import categories are fuels, petroleum and petroleum-products, motor vehicles, machinery and equipment. More than 90% of these are procured abroad. Namibia is also dependent on food imports due to its dry climate and poor agricultural conditions. South Africa accounts for around 64% of imports. Other important import countries are the Peoples’ Republic of China, Switzerland and the neighbouring country Botswana. Germany is in ninth place on this list. The bilateral trade volume reached a value of around 238 million Euros in 2015. However, many German goods are imported via South Africa and therefore are not reflected in bilateral statistics.

SECTOR SURVEY

CONSTRUCTION

The construction industry has been an important growth driver in the past. Gigantic growth rates of 42.9% and 33.7% respectively were recorded in 2014 and 2015. However, this is due to the exceptional effects resulting from the construction of the three large mines. Husab alone claimed an investment sum of over 2 billion USD. Projects that are in the planning stages are comparatively too small, to sustain the high level in the construction sector. In the coming years, therefore, this sector is like to see a contraction. Nevertheless, the construction industry will continue to be an interesting field of business in the future. There is a high demand for residential construction in particular, with a country wide shortage of some 300 000 residential units. High population growth further exacerbates the situation. For instance, the population of the capital, Windhoek, is to increase from the current 400,000 to 650,000 by 2030.

MINING

Namibia’s mining industry is able to hold its own, even in times of low commodity prices. In recent years, billions have been invested in the construction of the major mines Husab

(uranium), Otjikoto (gold) and Tschudi (copper), which now has a positive impact on overall production volumes. The Chamber of Mines (CoM) expects the contribution to GDP of the mining sector to rise from 12.5% (2015) to 17% (2018). As soon as world commodity prices recover, twelve new mines could emerge and offer business opportunities for German suppliers. The majority of the activities are focused on the mining of uranium with five projects currently in the planning stages.

ENERGY

By 2035, some 6.5 billion USD may be invested in expanding Namibia’s power plants. The country wants to reduce its dependence on electricity imports. At present, about 60% of the electricity required is imported from neighbouring countries such as South Africa or Zambia. In addition, Namibia’s energy demand will rise by an average of about 4% per year. For many years, Namibia has been planning large fossil-fuelled baseload power plants, but as yet without the anticipated success. Although the 885 MW Kudu gas power plant is the country’s prestige project, it is currently on ice due to financing problems. Other projects are also facing difficulties. However, opportunities for smaller, decentralised projects in the field of renewable energies are opening up.

AGRICULTURE

In the coming years, Namibia wants to increase the local value creation in the agricultural sector. The focus is on beef processing. In addition to Europe, Namibia could secure new and promising markets in Hong Kong (SVR) and the USA. This creates opportunities for a broader range of products and an overall higher output. German suppliers could also benefit from the expansion of meat processing plants. However, first more beef cattle have to be bred, which means new feedlots need to be created and bushed terrain must be rehabilitated to gain grazing land. Here, German companies for example, can supply modified crop harvesters and forage shredders. For the sake of increasing domestic processing, attention will also be paid to the equally vital fishing industry. Namibia ultimately seeks to reduce its dependency on food imports. For example, the state-owned Agricultural Business Development Agency (Agribusdev) is investing in the Green Scheme Project. To date, eleven large irrigation farms have already been developed with around 7,500 hectares. Farmers can lease plots there. By 2030 the area should increase to 27,000 hectares.

WATER

Water security is one of Namibia's key future challenges. A total of 1.7 billion USD is needed for long-term expansion of the water infrastructure. The central parts of the country including the capital Windhoek endure frequent shortages. Due to increasing consumption, a supply deficit of 50 million cbm per annum by 2050, is looming. One proposed solution is to extract water from the northern Kavango River and divert it via a transfer system to Windhoek, 600 km away. Costs have been estimated at 1.5 billion USD. However, the project is controversial due to the ecological consequences and seawater desalination on the coast is thus attracting more attention.

TRANSPORT

Namibia aims to become a leading logistics and distribution centre for southern Africa by 2030. To achieve this, it will need to expand the important seaports, railways, roads and airports. The Bank of Namibia estimates the investment value required for the coming years to be approximately 8.6 billion USD. Namibia wants to become an entry gate for the SADC, a market with some 300 million inhabitants and an economic output of approximately 600 billion USD. At the heart of these plans is the strategically located deep sea port in Walvis Bay. By 2018, the capacity of the container terminal will be expanded by 400,000 Twenty-foot Equivalent Units (TEU) to a total of 750,000 TEU. In addition, the SADC Gateway Port, which

is worth some 4.2 billion USD, is being built north of the current port. Via the Trans-Kalahari Corridor, the South African economic centre of Gauteng (Johannesburg–Pretoria) can be reached by truck in about two days. The corridor is to be supplemented by the approximately 1,500 km long Trans-Kalahari-Railway. Current planning by the participating states, Namibia and Botswana, is counting on private investors based on a Build-Operate-Transfer (BOT) model. A second important trade route for Walvis Bay is the Trans-Caprivi Corridor to Zambia and the DRC; a railroad is also in the pipeline here. At present, around 90% of the freight volume is transported by truck. In order to bring more traffic to rail, about 600 km of the rail network is to be converted to the SADC standard of 18.5 tonne axle load by 2020.

TOURISM

Tourism offers great potential for growth. Namibia is a diverse travel destination with many attractions and a great deal of natural beauty. In addition to the classic safari tourism, Namibia is also attractive for its expansive deserts landscapes and sand dunes or e.g. the picturesque coastal town of Swakopmund. With its good infrastructure and comparatively low crime, the country offers numerous possibilities for individual travellers. Overall, this sector accounts for 15.5% of GDP and secures around 20% of formal employment. The number of tourists has steadily risen in recent years. ■

