



REPUBLIC OF NAMIBIA

Standard Bank Moving Forward™

INTRODUCING

COUNTRY PROFILE – FACTS AND FINDINGS

NAMIBIA ECONOMIC OUTLOOK



Namibia, known as “the gem of Africa”, is a coastal country in Africa and the first country in the world to incorporate environmental protection into its constitution. Its neighbouring countries are Botswana, South Africa and Angola. Namibia is home to the Namib Desert, the oldest desert in the world.

The mining sector is showing weak performance at the moment because of low global metals prices. The impact of incremental increases in mining growth is fading and the pace of overall expansion is slackening. Still, real GDP growth can be expected to rise to 5.1%. Data from the Namibia Statistics Agency reveal that construction activity expanded by an impressive 45% year on year in the first half of 2015. The current dynamism in construction is mainly because of the activity of three new mines: Otjikoto (gold), Tschudi (copper) and Husab (uranium); and because of the port expansion at Walvis Bay.

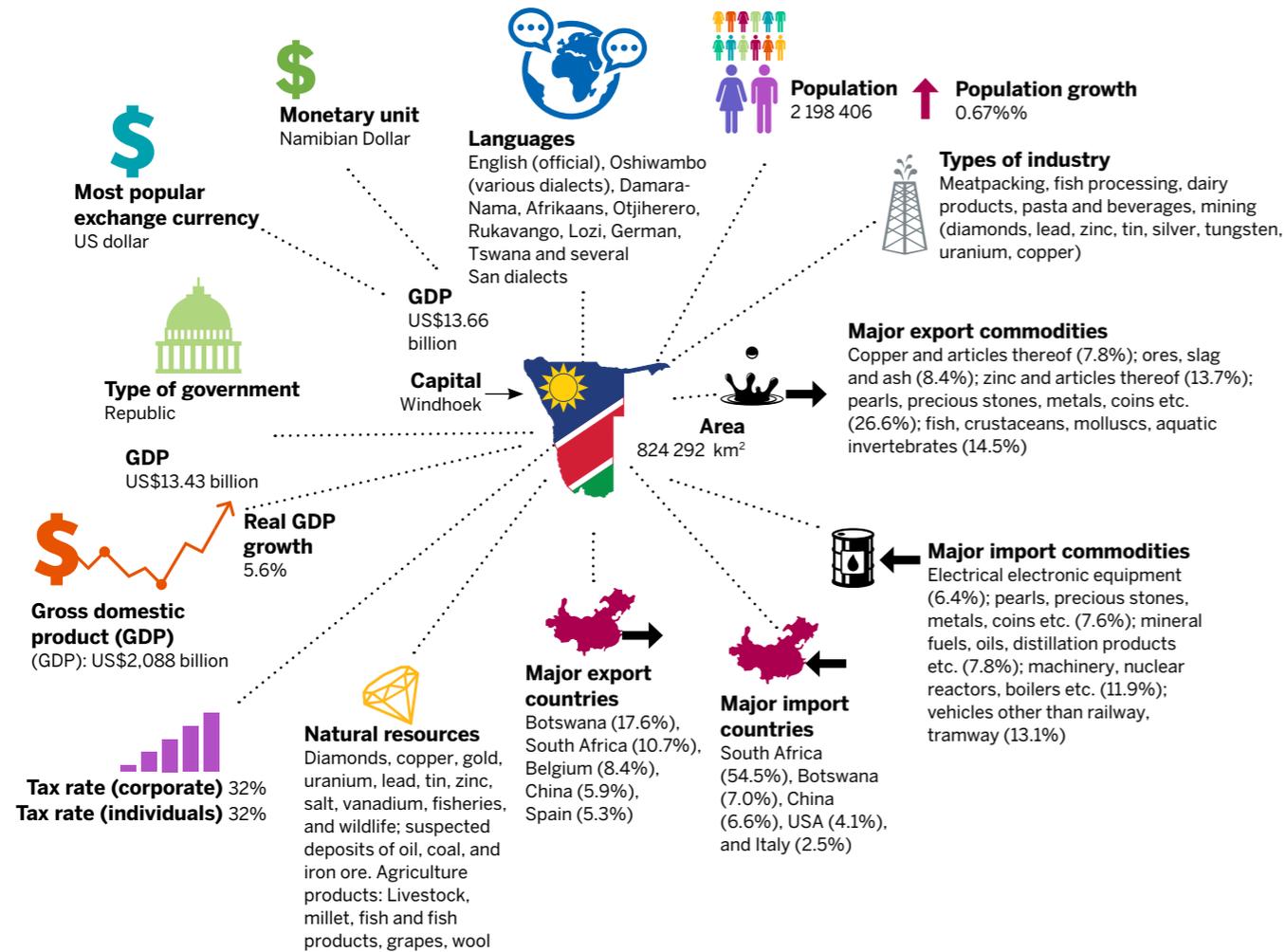
Economic growth from construction activity in the mining sector will start to slow down in 2016. However, an increase in production will more than make up for this, as the new capacity comes on stream. When fully operational (some time in 2017), Husab is set to become the second-largest uranium mine in the world. A boost to growth will also come from the

start of mining activity at the Z20 deposit operated by Rössing Uranium (part of the Rio Tinto group) and possibly the Etango mine, operated by Bannerman Resources (Australia). As a result, we expect real GDP growth to accelerate to 5.1% in 2016, and to 5.7% in 2017. Nonetheless, we still expect economic growth to average 4.9% in 2018 – 2020.

The mining sector schemes currently under way will also help to spur faster growth in manufacturing. They will do so by providing impetus to downstream activities such as the production of industrial chemicals. A gradual recovery in diamond-cutting and -polishing activity will also contribute to growth in the manufacturing sector in 2016 – 2020; at the moment, only four out of the country's 13 diamond-cutting and – polishing factories are in operation, owing to the global slump in the diamond industry. The services sector will benefit from a recovery in tourism over the forecast period as more tourists arrive from the key European market. This follows after an improvement in economic conditions in the euro zone.

Nonetheless, a number of risks remain. As a small, open economy, Namibia remains highly vulnerable to a fresh global downturn. Infrastructural weaknesses, including problems with power supplies, also pose a threat to growth.

NAMIBIA: IN A NUTSHELL



CHAMBERS/ASSOCIATIONS

Namibia is a member of the African Union (AU), the Commonwealth of Nations, the Southern African Customs Union (SACU), the Southern African Development Community (SADC), and the United Nations (UN).

POLITICAL

- The current president is Hage Geingob. The president is both head of state and head of government. He has the power to elect the vice-president, the prime minister and cabinet ministers as well as the heads of all security organs, the chief justice and judges of the Supreme Court and High Court, governors and commissioners of the Electoral Commission, and the political heads of the country's 14 regions.
- The last presidential elections were held in November 2014. The next elections are due to take place in November 2019.
- Namibia's peaceful general election in 2014 is evidence that the country has been able to maintain its development policies and political stability. The South West Africa People's Organisation (SWAPO) won the election.
- Namibia's legal system is a combination of uncodified civil law based on Roman-Dutch law and customary law.
- The Namibian government acknowledges a need to improve the quality of social services and is open to foreign investment to help it do so.

ECONOMIC

- Namibia's fourth National Development Plan (NDP4) maps out the country's economic policy. Launched in 2012, NDP4 focuses the government on achieving faster and sustainable economic growth, creating employment opportunities and improving income equality.
- Namibia's strong ties with South Africa increase its competitiveness and investment attraction compared to most other sub-Saharan Africa countries.

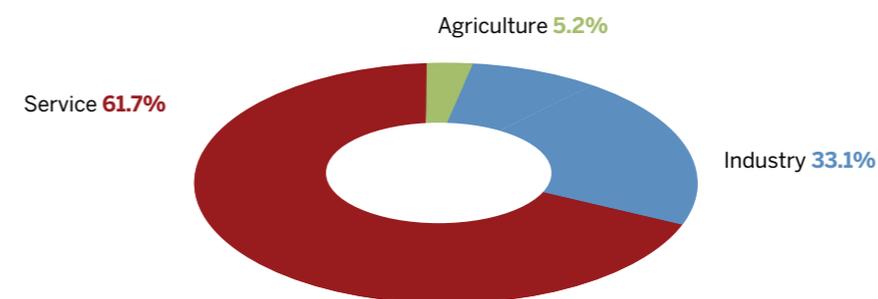
- The Namibian economy is heavily dependent on mining and processing minerals for export. Mining accounts for 11.5% of GDP, but provides more than 50% of foreign exchange earnings. Its high dependence on mineral exports for foreign revenue means Namibia runs the risk that international developments may affect the demand for and prices of diamonds, uranium and copper.
- Namibia is the fourth-largest exporter of non-fuel minerals in Africa and the world's fifth-largest producer of uranium. Namibia has rich diamond deposits, making it a primary source of gem-quality diamonds. Namibia also produces large quantities of lead, zinc, tin, silver, and tungsten.

- Namibia has about 1.5 billion carats of diamonds on the seabed. This resource will become more important as the land-based resources are used up. Namibia is regarded as a world leader in marine diamond mining and has pioneered many methods that are now being used worldwide.
- Half of Namibia's population depend on agriculture for their livelihood. Namibia normally imports about 50% of its cereal requirements. In drought years, food shortages are a major problem in rural areas. The heavy reliance on food imports makes Namibia susceptible to high food prices. This increases pressure on vulnerable households.
- Infrastructure development is important for increased economic growth and raising living standards across the country. However, Namibia's low population density and

the large size of the country make the task expensive and difficult to undertake.

- Inflation:** Consumer prices in Namibia increased to 3.4% in October 2015, up from 3.3% growth in September 2015. Inflation is forecasted to remain at 3.4%. Rising food and transport costs put pressure on Namibia's inflation.
- Currency:** The Namibian dollar is pegged one-to-one to the South African rand.
- Household debt:** Households owe more than US\$0.4bn to financial institutions via bank overdrafts and instalment credit. This has raised concerns with the Central Bank that Namibians are importing luxury goods that they cannot afford. The Central Bank therefore increased the interest rate by 25 basis points to 6.25% in February 2015.

SECTOR CONTRIBUTIONS TO GDP



Source: KPMG: Namibia Economic Snapshot, Quarter 1 2015

THE MAJOR ECONOMIC SECTORS CONTRIBUTING TO GDP:

- Agriculture:** Although agriculture contributes only 5.2% to the economy, it is an important sector. Most of the population live in rural areas and depend on subsistence crop and livestock farming. Agricultural products include millet, beans, sorghum, peanuts, grapes, livestock and fish. Namibia relies mainly on livestock production because of the arid climate. Fishing is also a key sector, as the coastal waters of Namibia are rich in fish.
- Industry** consists of meatpacking, fish processing, dairy products, pasta, beverages and mining. Strong construction and mining activities have boosted the GDP. Growth was 5.3% in 2014, up from 5.1% in 2013.
- Services** are driven by wholesale and retail trade; tourism; financial, real estate and business services; transport; and communication.

- Tourism is a growing sector, with the number of tourists to Namibia increasing. A third of visitors come from South Africa. Many tourists come from Europe, particularly from Germany.
- The main attractions are Namibia's beautiful landscapes and its wildlife and large areas of unspoiled wilderness. Many community development schemes have been set up to ensure the local community benefits from the presence of tourists.
- Construction** benefited from increased investment in mining and public housing.

Economic growth (%)						
	2014	2015 ^(f)	2016 ^(e)	2017 ^(f)	2018 ^(f)	2019 ^(f)
Economic Intelligence Unit (EIU) ⁽¹⁾	4.5	4.0	4.7	4.9	4.7	4.6
- Agriculture	6.8	2.2	2.3	2.4	2.5	3.0
- Industry	5.7	4.3	5.4	6.4	5.4	5.3
- Services	4.9	4.0	5.0	5.0	5.0	4.9
BMI Research ⁽²⁾	4.5	5.3	5.5	6.0	7.1	8.2
The World Bank ⁽³⁾	5.3	5.5	5.3	5.1		
Inflation (%)						
EIU (year-on-year average)	5.3	3.4	4.8	5.2	5.5	5.3
BMI Research (e) (year-on-year average)	5.3	4.7	5.6	5.8	6.1	6.0
Central Bank policy rate						
BMI Research (e)(end of period)	8.3	8.4	8.4	8.4	8.3	8.3

(f): forecasted; (e): estimate
Sources: ⁽¹⁾ EIU: Country Report, Generated 7 October 2015; ⁽²⁾ BMI Research: Namibia Country Risk Report Q3 and Q4 2015; ⁽³⁾ World Bank

SOCIAL

- Population: 2 212 307 (July 2015). Approximately 64.6% of the population fall between 15 and 64 years of age.
- Namibia has a high adult literacy rate of 81.9%. There is compulsory free education for those aged between six and 16.
- Unemployment: Formal-sector unemployment is estimated to be as high as 50%. As a result, Namibia has one of the highest Gini coefficients in the world, at 74.3. The richest 10% of the population earn 107 times what the poorest 10% of the population earn. The majority of Namibians live in extreme poverty due to large-scale unemployment and unequal income distribution.
- Ethnic groups: Ovambo, Kavango, Herero, Damara, Nama, Caprivian, San, Baster, and Tswana.
- Religion: 80% of Namibians are Christian.
- Main languages: Oshiwamba, Nama/Damara, English and Afrikaans.
- The HIV/AIDS epidemic is a large problem in Namibia. As a result, the working population has decreased while the number of orphans has increased. Namibia has the sixth-highest prevalence of HIV/AIDS in the world.
- Malaria is also becoming a problem due to the prevalence of HIV/AIDS.
- According to the United Nations World Food Programme, more than 42% of Namibians do not have enough food to eat.

TECHNOLOGY

- Namibia has a high mobile market penetration rate of 78%; however, internet penetration rates are much lower at 15.8%.
- The mobile penetration rate is therefore much higher than the internet penetration rate. Fixed-line telephone subscription is even lower than the internet penetration rate, at eight per 100 people.
- The country has two mobile operators – MTC and TN Mobile.
- More demand from customers will cause the data services market to grow. This growth will come from the arrival of international bandwidth from submarine cable systems, the increasing use of mobile devices to access the internet, and greater investment in wireless access.

ENVIRONMENT

- Environmental issues in Namibia include limited natural freshwater resources, desertification, wildlife poaching, habitat fragmentation and land degradation. Because of these problems, there are few fully protected intact conservation areas.
- Most of Namibia experiences long periods of drought. The largely arid climate and heavy reliance on the extraction of natural resources for economic development have pushed conservation and resource management to the top of the authorities' development agenda.
- Namibia has signed a number of international agreements. These include agreements on Antarctic-marine living resources, biodiversity, climate change, desertification, endangered species, hazardous wastes, law of the sea, ozone layer protection, wetlands and the Kyoto Protocol.

NAMIBIA: WHAT TO CONSIDER WHEN STARTING A BUSINESS

NAMIBIA'S OPENNESS TO FOREIGN DIRECT INVESTMENT

- The Namibian Government is committed to stimulating economic growth and employment by attracting foreign direct investment (FDI). The Foreign Investment Act of 1990 guarantees equal treatment for foreign investors and Namibian companies.
- The legal and regulatory frameworks are business friendly. There is a liberal investment incentive policy which includes export processing zones (EPZs). The EPZ system offers favourable conditions for companies that manufacture and export products for regional and international markets. All these strategies, along with manufacturing incentives, aim to increase FDI in the country.
- The government promotes tourism, transport, storage facilities, agriculture and manufacturing as alternative investment opportunities. The reason for this is to get more diversification in foreign revenue and investment interest.

DOING BUSINESS IN NAMIBIA

Namibia has been ranked fifth in sub-Saharan Africa in the 2015-2016 Global Competitiveness Report, with a ranking of 85 out of 140 economies.

- According to transparency.org Namibia holds a corruption clean score of 49%. This is a perception-based score which is used to measure how transparent the country's public sector is perceived to be. Namibia is perceived to be relatively corrupt. The main driver of the high level

of corruption is the lack of separation between the state and the ruling party, SWAPO. Political stability is reported at 68.8%, which means Namibia is thought to have a fairly stable government.

- With regard to the business environment, Namibia boasts a healthy ranking of 62% (fourth in sub-Saharan Africa) for ease of starting and running a business. This is an above-average score, yet the country gives little cultural support. Only 49% of the population feel positive about entrepreneurship.
- It takes about 66 days to start a business in Namibia; this is higher than the regional average of 26.8 days in sub-Saharan Africa. In addition, ten regulatory and administrative procedures have to be performed.
- The government requires local participation before issuing licences to exploit natural resources. There are more restrictions in the case of certain strategic minerals such as uranium, diamonds, gold, copper and rare earth metals.
- The Land Reform Act regulates the acquisition of agricultural land by foreign nationals. No foreign national is allowed to purchase agricultural land without first getting the consent of the Minister of Lands.

OPPORTUNITIES FOR DOING BUSINESS

- Namibia is politically stable. Political governance is also strong, with the government subject to judicial review. Key features that make investing in Namibia an attractive option are a government policy which supports and encourages free enterprise, the incentives available for manufacturing and the export of manufactured goods, and the highly developed financial sector.
- Namibia is located near the large economies of South Africa, Angola and Botswana. This provides a good linkage network.
- The financial sector and financial markets keep expanding; Namibia has a history of strong economic growth.
- Most food and consumer goods purchased in Namibia are imported from South Africa, pointing to import-substitution opportunities.
- A five-year, N\$223bn infrastructure development plan began in early 2015 to boost Namibia's status as a regional transport hub.
- The real estate sector is experiencing a boom in prices and development due to a housing shortage and high demand from abroad.
- There is opportunity for foreign investors in the natural resources sector.
- The mining sector in Namibia has a positive medium – to long-term outlook.
- The Namibian government has provided incentives aimed at stimulating manufacturing, attracting foreign

investment and promoting exports. To take advantage of these incentives, companies must be registered with the Ministry of Trade and Industry and the Ministry of Finance.

- Incentives for manufacturing enterprises:
 - 50% tax reduction for five years, phased out over a further ten years on a straight-line basis;
 - Accelerated depreciation on factory buildings, which can be written off over ten years;
 - Export promotion costs deductible at 125% to 175%;
 - Training costs deductible at 125%;
 - Direct production wages deductible at 125%;
 - Industrial studies available at 50% of cost;
 - Cash grants of 50% of approved export promotion expenses; and
 - New investment or relocation packages.
- Incentives for exporters of manufactured goods:
 - An 80% allowance on taxable income derived from the export of manufactured goods (except for fish and meat products).

OPERATIONAL RISKS/ BARRIERS TO DOING BUSINESS

- The lengthy and administratively complex process to get work permits is one of investors' biggest complaints in Namibia. It could take investors three to six months to get a work permit to bring skilled labour from abroad.
- The country has an inadequately trained workforce and a skills mismatch. This is not changing in step with the changing labour market needs.
- Labour laws are causing problems for enterprises operating in volatile economies, as it is difficult to dismiss people. Companies would rather invest in labour-saving technologies or hire part-time staff and pay overtime than hiring and training new staff. This has a negative effect on job creation.
- The business registration process is challenging in terms of local and foreign investment. The time taken to open a business as well as difficulties in tracking the processing of applications can delay investments.
- The failure to increase national electricity-generating capacity and over-reliance on imported electricity from South Africa are seen as challenges, as this can lead to uncertainty in power supply.
- Climatic conditions are harsh and droughts are common.
- Geographic distances between cities and sparsely populated towns are further challenges.
- Labour productivity could be negatively impacted by the high prevalence of HIV/AIDS.
- Long-term economic growth could be negatively affected by the restricted extension of consumer credit.

STANDARD BANK NAMIBIA CAPABILITIES

- Established in 1915
- Standard Bank's Namibian operations today employ 1 422 people, some of whom take care of approximately 14 574 Business banking customers.
- The country has 169 ATMs and 50 branches.

	Trading name	Standard Bank Presence		Standard Bank ATMs	Corporate Banking	Retail Banking	Investor Services	Investment Banking				
	Standard Bank	50		169	✓	✓	✓	✓				
Exchange Controls	Exchange control still in place. Namibia is part of the Common Monetary Area (CMA), balance of payments (BOP) required. Bank of Namibia approval required for loans. Prior approval is required for the interest on the foreign loans (this is usually covered in the loan application). Tax commitments due by immigrants are covered in the exchange control rulings.											
Transactional Products and Services	Foreign Current Account	Foreign Deposit Account	Telegraphic Transfers	Bulk Payments (channel)	Real-Time Gross Settlement (RTGS)	Card Acquiring	Mobile Banking	Receipt Referencing Service				
	✓	✓	✓	✓ (BOL)	✓	✓	✗	✓				
	Sweeping – Domestic	Sweeping – Regional	Debit Card Payments	Credit Card Payments	Beneficiary Account Validation	Electronic Clearing House	Online Banking Platform					
	✓	✗	✓	✓	✓	✓	Business Online					
	Letter of credit (LC)	Payment Undertaking	Promissory Note	Standby LC	Avalised drafts	Guarantees	Invoice discounting					
	✓	✓	✓	✓	✗	✓	✓					
Global Markets	Forex					Interest Rates						
	Spot	Forwards	Swaps	Options	Non-deliverable forward	Commercial paper	Repos	Treasury bills	Bonds	Forward rate agreement	Interest rate swap	Cross currency swap
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Investment Banking	Corporate Finance (Equity and Debt Capital Markets and Mergers and Acquisitions)				Mining, Energy and Infrastructure (MEI) Diversified and Leveraged Lending (DLL)			Structured Finance	Strategic Investments			
								(Team based in South Africa)				
	✓				✓			✓			✓	

✓ Available
✗ Not yet available

SOURCES

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