

Outlook clouded by commodity dependence and close links with South Africa



General Information

GDP	USD13.43bn (World ranking 126, World Bank 2014)
Population	2.35m (World ranking 141, World Bank 2014)
Form of state	Republic
Head of government	Hage GEINGOB
Next elections	2019, presidential and legislative



Strengths

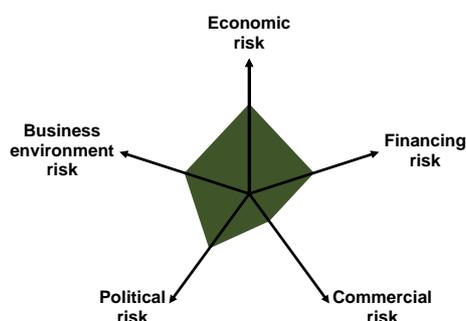
- Stable democracy since independence in 1990, with successful transitions following elections.
- Close association with South Africa through customs and monetary unions.
- Natural resource base includes substantial diamonds (including offshore).
- Manageable external debt ratios.

Weaknesses

- Land reform programme is a policy priority and there are lingering concerns that it may yet develop into a Zimbabwe-style land-grab.
- Strong links with South Africa engender dependence on the economic performance in that country.
- Diversification of economy is relatively limited.
- Small population (with high proportion of HIV/AIDS infections) and limited arable land area.
- Poverty and unemployment remain high.
- Volatile fiscal and current accounts.
- Foreign reserves provide limited import cover.

Country Rating

B1



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
United Kingdom	14% 1	44% South Africa
Angola	12% 2	10% China
Belgium	10% 3	4% Bulgaria
Botswana	10% 4	4% United Kingdom
South Africa	8% 5	4% Germany

By product (% of total)

Exports	Rank	Imports
Non metallic mineral manufactures, n.e.s.	26% 1	10% Petroleum, petroleum products and related materials
Fish, crustaceans, molluscs and Metalliferous ores and metal scrap	15% 2	10% Metalliferous ores and metal scrap
Non-ferrous metals	13% 3	9% Road vehicles
Inorganic chemicals	12% 4	7% Other transport equipment
	6% 5	5% Non metallic mineral manufactures, n.e.s.

Source: UNCTAD

Economic Overview

General Overview

The leading economic sectors are agriculture (cattle and sheep), fishing and mining (mainly diamonds but also uranium, zinc, copper, lead and gold). Economic planning is conducted through standard five-year development strategies, with broad policy aims of poverty reduction, improving income distribution, job creation through the private sector, black economic empowerment (as in South Africa) and alleviation of the human, social and economic costs of HIV/AIDS. Despite attempts at diversification, mineral extraction (particularly diamonds) is the principal domestic source of foreign exchange earnings. In addition, Namibia receives revenue allocations through its membership of the Southern African Customs Union (SACU). A small population (2.35mn) and economy (USD13.4bn) engender a marked degree of dependence on its large neighbour South Africa, but relations tend to be very good.

External accounts reflect links with South Africa and the regional customs union

Principal exports are diamonds, gold and uranium. As with most aspects of the economy, developments in the external sector are closely associated with links with South Africa. The latter is Namibia's largest trade partner and revenue allocations from SACU account for a large share of government income (see also below).

In the period 2000-08, the current account registered annual average surpluses of +4.4% of GDP but deficits have been commonplace since then. Current lower international oil prices provide some relief to the external accounts but weak gold and industrial metal prices limit any potential gains. Foreign exchange reserves at the end of 2014 were USD1.6bn, equivalent to an import cover of only two months. In 2015-16, import cover is unlikely to increase significantly, partly reflecting South Africa's economic problems and associated weak allocations through SACU. Even so, external liquidity is not forecast to cause systemic problems.

Namibia does not have a financial facility with the IMF and has not sought external debt relief through HIPC or MDRI initiatives. External debt is relatively low and debt servicing requirements comfortable.

The business environment is above average of the region

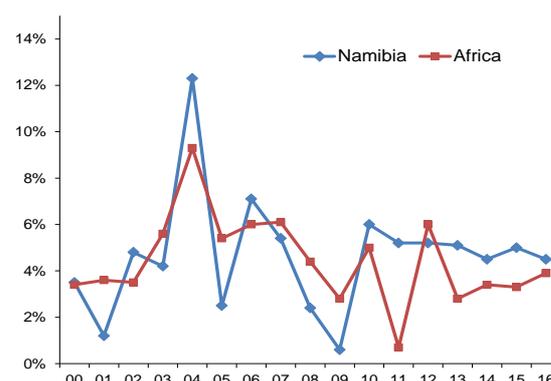
The World Bank's Doing Business 2015 survey ranks Namibia 101 (equal with Kuwait) out of 189 countries. Contract enforcement is substantially better than the regional average and insolvency resolution takes less time than the regional average and the recovery rate is far higher.

Key Economic Forecasts

	2014	2015f	2016f	2017f
GDP growth (% change)	4.5	5.0	4.5	4.5
Inflation (% end-year)	4.6	4.7	6.0	6.0
Fiscal balance (% of GDP)	-4.1	-5.3	-3.5	-3.0
Public debt (% of GDP)	21.1	20.4	18.5	17.5
Current account (% of GDP)	-4.6	0.5	-3.0	-3.5
External debt (% of GDP)	34.5	36.3	33.5	30.0

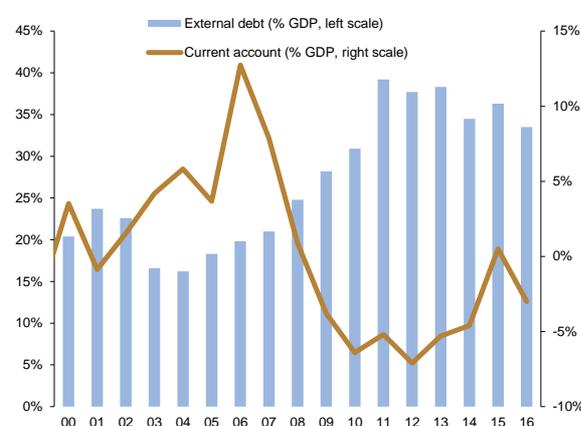
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Current Account Balance and External Debt (% of GDP)



Sources: National sources, IHS, Euler Hermes

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