

# Namibia Business Forecast Report Q3 2014

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## Abstracts

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### Core Views

Economic growth in Namibia will quicken in 2014, increasing by 4.5% in real terms, owing to a buoyant, credit-fuelled consumer segment and robust public investment. The impact of weak global demand on the country's mining sector will continue to be felt. We expect the ruling SWAPO to secure a comfortable victory in November's general elections, with the party likely to maintain its broadly pro-business economic agenda in the years ahead. A weak and under-funded opposition will preclude anything other than a minor swing away from the ruling party.

Our broad outlook for Namibia's current account over the next few years remains relatively unchanged. We maintain that the country will sustain a sizeable current account shortfall over our 2014-2018 forecast period as demand for imports associated with new mining projects more than offsets a sluggish recovery in demand for key mineral exports.

### Major Forecast Changes No Major Forecast Changes

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BMI Political Risk Ratings

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Status Quo To Be Maintained In November Elections

We expect the ruling SWAPO to secure a comfortable victory in November's general elections, with the party likely to maintain its broadly pro-business economic agenda in the years ahead. A weak and under-funded opposition will preclude anything other than a minor swing away from the ruling party.

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Long-Term Political Outlook

Stability Likely To Prevail Over The Coming Decade

While Namibia's enormous income inequality poses some risks to political stability, we believe the population is likely to continue supporting the South West Africa People's Organization (SWAPO) government for the next 10 years, ensuring broad political stability and continuity.

### CHAPTER 2: ECONOMIC OUTLOOK

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Economic growth in Namibia will quicken in 2014, increasing by 4.5% in real terms, owing to a buoyant, credit-fuelled consumer segment and robust public investment. The impact of weak global demand on the country's mining sector will continue to be felt.

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Current Account Deficit To Remain Sizeable But Under Control

Namibia will sustain a sizeable current account shortfall over the duration of our 2014-2018 forecast period as growth in mining sector related imports more than offsets a gradual recovery in demand for Namibian mineral exports.

Table: Current Account

## Monetary Policy

### Rates To Remain Steady In 2014

The Bank of Namibia's decision in April to keep the repo rate steady at 5.50% is in line with our view that interest rates are likely to remain at, or near, their current low levels through 2014. Risks, however, are weighted in favour of a rate hike given the likelihood that the South African Reserve Bank will hike its policy rate in H214.

## Fiscal Policy

### Fiscal Consolidation Delayed Until 2015 At Least

Fiscal policy in Namibia in FY2014/15 will remain firmly expansionary owing to a hike in public sector wages that will prove politically popular ahead of elections in November. We predict that the fiscal balance will deteriorate from an estimated 6.0% of GDP in FY2012/13 to 6.3% in FY2014/15.

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Thanks to the country's strong primary sector, we expect growth to prove relatively robust in the long run, averaging around 4.5 %annually over 2014 to 2023. With a stable political environment, the main risks are the limited size of the domestic market, rising income inequality and global demand for the country's primary exports.

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