

# Namibia Business Forecast Report Q4 2013

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## Abstracts

### Core Views

The effects of a weak global economy and a damaging drought will continue to be felt by Namibia's economy over the coming months. Growth should, however, remain supported by as elevated levels of government spending are maintained. We expect real GDP growth to pick-up modestly in 2014, with BMI forecasting 4.7% growth compared to an estimated 4.3% in 2013.

We expect inflation to remain relatively stable over the coming months, although we believe inflationary risks are weighted firmly to the upside given the ongoing currency woes.

### Major Forecast Changes

We have modestly downgraded our projections for the fiscal deficit in 2013 and 2014 given rising spending commitments, particularly in the form of ongoing drought relief measures. We are now forecasting shortfalls equal to 6.7% of GDP in 2013 (compared to our previous estimate of 6.6%) and 4.7% in 2014 (compared to 4.2%).

Significant revisions made by the Bank of Namibia to their balance of payments data have prompted us to revised down our forecasts for the current account deficit in 2013 and 2014 to 3.0% (from 2.6% previously) and 3.6% (from 3.2%) respectively.

### Key Risk To Outlook

Namibia's small, open economy is highly exposed to events on the world stage. While we have incorporated the ongoing global malaise into our economic forecasts, if the situation abroad deteriorates (or, conversely, improves) more than we anticipate, we

would have to adjust our forecasts accordingly. Much of the economy remains closely tied to agriculture, and weather poses substantial risks, as illustrated by the ongoing drought which has threatened yields and food security. Changing weather conditions pose both upside and downside risks to a number of our forecasts, including for growth, inflation, and trade.

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