NAMIBIA

Table 1	2021
Population, million	2.6
GDP, current US$ billion	12.3
GDP per capita, current US$	4761.8
International poverty rate ($2.15)[a]	15.6
Lower middle-income poverty rate ($3.65)[a]	33.3
Upper middle-income poverty rate ($6.85)[a]	57.3
Gini index[a]	59.1
School enrollment, primary (% gross)[b]	124.2
Life expectancy at birth, years[b]	64.0
Total GHG emissions (mtCO2e)	20.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

Namibia's economy continues to recover given favorable prospects for the mining sector and waning effects of the pandemic. Spillovers from the war in Ukraine have raised socio-economic challenges, with higher import costs resulting in elevated inflation. As the economy recovers, protecting fiscal sustainability remains crucial given weaker SACU inflows. With a slow economic recovery, the projected upper middle-income poverty rate remains high at 62.4 percent.

Key conditions and challenges

Leading up to 2015, Namibia's economy experienced strong growth, averaging nearly 5 percent annually, fueled by investment and enabled by prudent economic management. Growth stagnated from 2016 onwards and three of the last five years have been marked by recession, with a sharp contraction in 2020 amid the COVID-19 crisis. Before the pandemic, the growth slowdown was on the back of severe drought, lower commodity prices, reduced public investment, weaker growth in neighboring countries and persisting structural rigidities. Public investment has historically been an important driver of growth, but elevated debt levels constrain fiscal space. Therefore, future growth will rely on leveraging greater investment and participation from the private sector. This shift in growth model is particularly critical to achieve socio-economic progress as envisioned in the Harambee Prosperity Plan II (2021-2025).

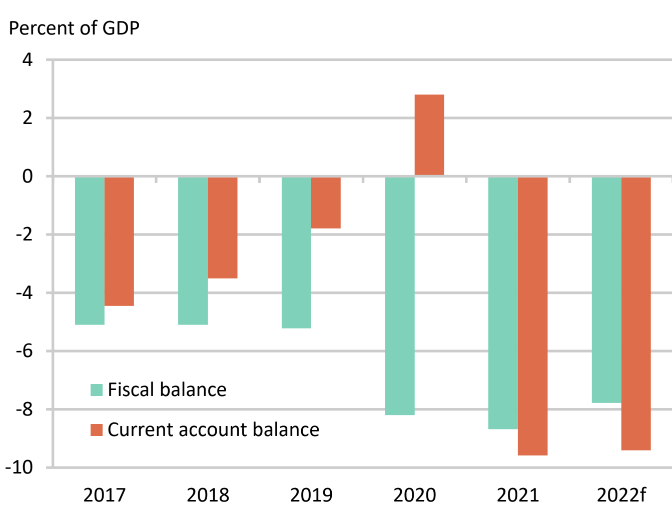
Global and regional developments will remain important drivers of Namibia's economic performance as well as fiscal and external positions, as the country is highly reliant on commodity exports and Southern African Customs Union (SACU) transfers. The twin shocks of the pandemic and spillovers from Russia's war in Ukraine have negatively affected socio-economic progress and raised food insecurity risks. Output remains below pre-pandemic levels and consumer inflation has reached multi-year highs in 2022, hitting hard on the most vulnerable.

Unemployment has remained elevated in the subdued economic recovery, amplified by skills mismatches. This exacerbates Namibia's high level of inequality (Gini index at 59.1 in 2015) and means poverty is relatively high for the country's level of development. Risks related to climate, the state of the pandemic and the protracted effects of the war in Ukraine are important in the domestic outlook.

Recent developments

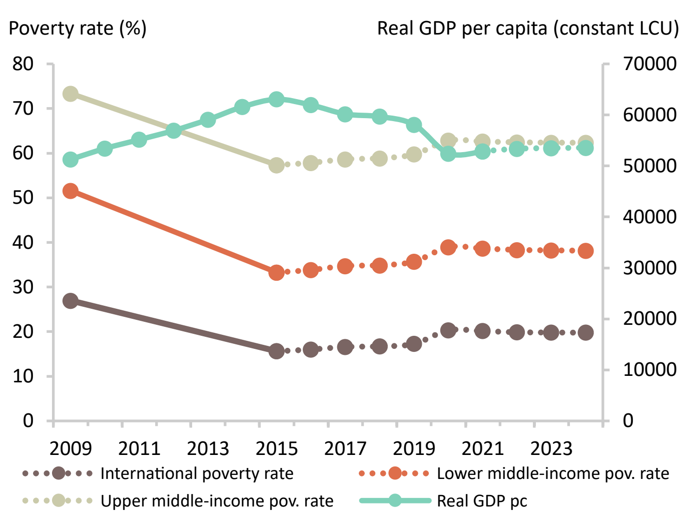
Namibia's economic recovery continued in the first half of 2022 but has been uneven, with several sectors lagging. Real GDP growth increased to 5.3 percent YoY in Q1, supported by stronger activity in the mining, manufacturing and financial services sectors. Momentum in the mining sector was sustained into the second quarter as diamond production was further boosted by Debmarine's new diamond recovery vessel, the Benguela Gem, which was inaugurated in March. Diamond production was 50 percent higher in H1-2022. Beyond the positive developments in the mining sector, the effects of the pandemic on economic activity have significantly waned. All remaining COVID-19-related restrictions were removed in July 2022. However, with a slow economic recovery of only 0.8 percent in per capita terms in 2021, the upper middle-income poverty rate is estimated to remain high at about 63 percent

FIGURE 1 Namibia / Fiscal and external balances



Sources: Central Bank, World Bank staff estimates.

FIGURE 2 Namibia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

while employment is estimated to remain below pre-pandemic levels.

External vulnerabilities have elevated. The current account (CA) deficit soared to 15.8 percent of GDP in Q1-2022, which is similar to the deficit registered in Q3-2021 and larger than the deficit of 8.1 percent of GDP in Q4-2021. The widening in the deficit over the quarter was driven by weaker exports, higher mineral fuel imports and lower receipts from the SACU pool. The war-induced acceleration in import prices kept the CA balance under pressure in Q2.

Given pressures on global oil and food prices, annual inflation increased to 7.3 percent in August, the highest rate in over five years. The Bank of Namibia has responded by hiking its policy rate by a cumulative 175 basis points since February. Authorities have implemented efforts to support fiscal consolidation, including containing expansion of the wage bill and divestiture from SOEs, but lower SACU receipts remain a challenge. The budget deficit is estimated to have remained wide at 8.7 percent of GDP in 2021.

Outlook

GDP growth is projected at 2.8 percent in 2022 and is expected to average around 2 percent in the outer years. The economic performance in 2022 will be largely supported by the exceptional increase in diamond production and the waning effects of the pandemic. Diamond output is expected to be at least a third higher in 2022, boosted by the new recovery vessel. In addition, the improved pandemic situation is expected to support the ongoing recovery of sectors which were hardest hit by the pandemic, including tourism. Consumer spending growth was robust in Q1 but will likely be impacted by increased price pressures and resultant cautious spending. Amid higher inflation, monetary policy tightening is expected to continue, driven by the exchange rate peg with the Rand. Risks to the growth outlook are significant, mainly related to the effects of the Ukraine war, the pandemic situation, and a faster deceleration in global growth.

Namibia's twin deficits are expected to remain high in 2022, given the elevated cost of imports and subdued SACU receipts. The current account deficit is projected to remain over 9 percent of GDP, somewhat mitigated by a better export performance. In the fiscal accounts, lower SACU receipts are expected to be partly offset by the revenue boost from new diamond production. The fiscal deficit is projected to be above target at 7.8 percent of GDP in 2022, partly as higher interest costs slow the pace of consolidation, and public debt (including guarantees) is projected to rise close to 80 percent of GDP. Amid revenue constraints, maintaining fiscal discipline while preserving social spending remains important to stabilize the debt trajectory, reduce fiscal risks and prevent a further worsening in poverty. Weak per capita GDP growth, elevated unemployment, and slow job creation pose challenges to the extent of poverty reduction that can be achieved. The upper-middle-income poverty rate is expected to remain near 62 percent in the medium run.

TABLE 2 Namibia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-0.8	-8.0	2.7	2.8	2.0	1.9
Private Consumption	-0.1	-11.3	12.6	3.9	2.8	3.0
Government Consumption	1.5	0.4	1.7	-0.8	-0.3	0.7
Gross Fixed Capital Investment	-9.5	-19.2	4.0	5.1	4.4	4.9
Exports, Goods and Services	-8.7	-17.3	-2.3	9.8	6.2	3.3
Imports, Goods and Services	-4.0	-18.0	15.6	7.1	4.9	4.0
Real GDP growth, at constant factor prices	-0.2	-6.6	1.8	2.8	2.0	1.9
Agriculture	-3.1	6.3	2.0	1.5	2.0	2.0
Industry	-2.1	-12.9	1.4	5.7	2.4	2.1
Services	1.0	-5.3	1.9	1.7	1.8	1.8
Inflation (Consumer Price Index)	3.7	2.2	3.6	6.2	5.1	4.5
Current Account Balance (% of GDP)	-1.8	2.8	-9.6	-9.4	-6.6	-5.2
Net Foreign Direct Investment Inflow (% of GDP)	-1.5	-2.0	4.3	1.7	1.7	1.9
Fiscal Balance (% of GDP)	-5.2	-8.2	-8.7	-7.8	-6.6	-5.8
Debt (% of GDP)[a]	62.4	70.0	73.5	78.9	80.4	81.8
Primary Balance (% of GDP)	-1.4	-3.7	-4.2	-2.6	-1.4	-0.8
International poverty rate ($2.15 in 2017 PPP)[b,c]	17.3	20.3	20.2	19.9	19.8	19.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	35.7	38.9	38.6	38.3	38.2	38.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	59.7	62.8	62.6	62.4	62.4	62.3
GHG emissions growth (mtCO2e)	-4.3	-1.5	-0.6	0.5	2.5	3.0
Energy related GHG emissions (% of total)	18.5	18.0	18.2	18.3	18.5	18.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Refers to Public and Publicly Guaranteed debt
b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
c/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.