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The ruling SWAPO Party of Namibia incurs heavy losses in the 25 November regional and local elections; its share of the vote slumps to under half the total in the local polls, handing control of Windhoek, Walvis Bay and other large towns to opposition parties for the first time since independence in 1990. United States-based ratings agency Moody's downgrades Namibia's sovereign credit rating to Ba3, although Fitch's rating remains at BB-. The Bank of Namibia (central bank) keeps Namibia's repurchase (repo) rate unchanged at 3.75% and slightly reduces this year's forecast contraction in real GDP to -7.3%. Year on year (y/y) inflation eases to 2.2% in November.

SWAPO gets a hammering in the regional and local elections…

The regional and local council elections held on 25 November saw sweeping gains for opposition parties, which took control from the ruling **South West African People's Organisation** (**SWAPO Party of Namibia**) in four of **Namibia**'s 14[1] regions and over 30 town and village councils.[2] This has transformed the political landscape and left both SWAPO and President **Hage Geingob** (2015- present) in a weakened position, making it more difficult for the government to push through fundamental policy reforms to reboot Namibia's attractiveness as a destination for foreign direct investment (FDI), in ARC's view. To his credit, Geingob was quick to accept the new realities, congratulating the opposition parties on their success and promising to work with them in the regions and local authorities they now control:

> "*We are building the nation. We have heard the people. As you can see the election results are out. We were taught lessons in cities.*" [3]

Geingob refuted local media reports that some within the SWAPO leadership wanted to punish the opposition parties by withholding central government funding.

> "*And contrary to rumours being said that we are going to punish you by not giving you money or something, that is not Swapo government. We are here to serve the Namibian people. Let us work, you made promises, its good to be that side. I will work with you and I will support you.*"

However, Geingob cautioned that those elected to leadership positions "*should now deliver on the promises they sold to the people during their political campaigns*".[4]

With only one of the 161 constituencies electing the regional councils still to be declared – **Mariental** rural in the southern region of **Hardap** – SWAPO's share of the vote had slumped to 57%, down from 83% at the last regional election in 2015, according to the official results published by the **Electoral Commission of Namibia** (**ECN**).[5] In the local polls, the ruling party fared even worse, seeing its share of the vote decline to only 40%, down from 73% in 2015, meaning SWAPO has become the minority party in most of Namibia's largest towns. Because of opposition party concerns and a last-minute failed legal challenge over the lack of **voters'**

[1] See correction at the end of the article.
[2] Electoral Commission of Namibia, Namibia Votes 2020; The Namibian, 27 Nov 2020.
[3] New Era, 4 Dec 2020.
[4] New Era, 4 Dec 2020.
[5] Electoral Commission of Namibia, Namibia Votes 2020.

verifiable audit paper trails (**VVPAT**s) from the electronic voting machines used in the November 2019 presidential and legislative (**National Assembly**) (**NA**) elections, the ECN reverted to manual ballots for these elections (see *ARC Briefing Namibia December* 2019).

The main beneficiaries of voter discontent with SWAPO were the newly-formed **Independent Patriots for Change** (**IPC**) with just under a fifth (17.5%) of the popular vote. The IPC is headed by **Panduleni Itula** who came a strong second to President Geingob when he stood as an independent candidate in last year's presidential election, while still a member of SWAPO (from which he was subsequently expelled). The IPC overturned SWAPO's majority in west-central **Erongo** region, where many fishery workers have lost their jobs, and came close to beating SWAPO in **Khomas** region, which comprises the capital, **Windhoek**, and a surrounding rural area. The IPC also polled strongly in SWAPO's political heartland of north-central Namibia, where, although the party did not win any region, it gained an unprecedented 29 council seats on 14 local authorities.

The **Popular Democratic Movement** (**PDM**), which is the official opposition in parliament, and the **Landless Peoples' Movement** (**LPM**), also a new party, were tied on just 7% of the vote each. The PDM came top of the heap in **Kunene** region in the northwest, closely followed by the **United Democratic Front** (**UDF**), reflecting support from the **Ovaherero** and **Damara** communities there respectively, while the LPM swept into power in the two southernmost regions, Hardap and **Karas**. The LPM, headed by former deputy lands minister **Bernadus Swartbooi**, promotes a radical policy of faster land redistribution, particularly of so-called *"ancestral land"* taken from Namibians by successive **German** and **South African** white settlers under colonial rule. This drew strong support from the predominant **Nama** community in the south who feel disenfranchised by the current structure of the government's land resettlement programme. An advisory presidential commission on potential inclusion of ancestral land claims in the land reform process, which was convened as a result of resolutions passed by the second national land congress held in October 2018, submitted a report to the cabinet early this year but this has yet to be made public, ARC has learned (see *ARC Briefing Namibia October, November 2018*).

Correction: ARC Briefing Namibia November 2020 erroneously stated that there were 13 regional councils, each sending two representatives to the upper house of parliament, the **National Council (NC)**, which is indirectly-elected (see *ARC Briefing Namibia November* 2020). There are in fact 14 regional councils (**Kavango** has been sub-divided into two regions, east and west) which each sends three representatives to the NC. Before November, SWAPO's majorities in all the regional councils meant it held 40 of the 42 seats of the indirectly elected upper house, which has powers to delay legislation passed in the NA. Its new composition will not be known until each regional council chooses new councillors as their members of the NC. However, SWAPO's majority will shrink to around 30 of the 42 NC members as the four regions where it lost power will mainly appoint opposition councillors and there may be one or two also from regions where SWAPO retained control but several opposition councillors were elected (eg Khomas), ARC anticipates.

… losing control of most towns for the first time

Despite the absence of any electoral pact between them, the opposition parties pushed SWAPO aside in Namibia's biggest towns and economic hubs, including Windhoek, **Walvis Bay**, **Swakopmund** and **Luderitz**. The IPC and the LPM polled the strongest, gaining vote shares of 22% and 14% respectively, and along with the PDM and other smaller parties have combined to form coalitions to take control of these towns. In Windhoek, the opposition parties won ten seats to only five for SWAPO (down from 12 previously) and have formed a new council under the leadership of **Job Amupanda**, whose **Affirmative Repositioning** (**AR**) movement, a radical urban land activist group only registered as a political party this year, won two seats (the IPC gained four).[6] The AR has espoused sit-ins and occupation of unallocated urban land as part of its efforts to force municipalities to release more serviced plots for low-income housing, and is already facing calls to roll these out as soon as possible. In Walvis Bay, the IPC, which gained 42% of the vote, took full charge of Namibia's main harbour town, with the IPC's **Trevino Forbes** as the new mayor. In Swakopmund, where the IPC won three of the nine council seats, the party's **Louisa Kativa** took over as mayor.[7]

SWAPO's political hegemony looks to be ending

German-Namibian academic **Henning Melber** notes in his substantive election analysis, published on 6 December, how much Namibia's political landscape has changed since its independence from South Africa in 1990:

> "*SWAPO, the former liberation movement that has governed the country since independence, used to win by huge margins. But, increasingly, Namibians are losing trust in its ability to run the country. They are making different political choices*." [8]

Melber described Swapo's numerous defeats at regional and local levels of government and resulting loss of control over several second-tier levels of governance and even more on the local level as *"bordering on humiliation"*:

> *"This increases the influence of other parties dramatically and will have an impact on Namibia's future governance. The fact that Job Amupanda, a social movement activist in his early 30s, is the new mayor of Windhoek's municipality, points to how dramatic the changes are."* [9]

Melber attributes the results to growing corruption, governance failures and abuse of office:

> "*The lack of good governance and poor delivery has been exacerbated by a fiscal crisis and recession* since 2016*. Many of the country's 14 different regions are spatial hubs for culturally and linguistically distinct groups. Their voting behaviour, to some extent, reproduces existing identities. Up until fairly recently, Swapo was the only party with support among almost all population groups, and in the urban 'melting pots'. This seems over*." [10]

Moody's downgrades Namibia's credit rating another notch

Moody's Investors Service (**Moody's**) downgraded to Ba3 Namibia's sovereign long-term issuer and senior unsecured ratings on 4 December, for a second time this year. Concurrently, Namibia's long-term local currency bond and bank deposit ceilings were lowered to Baa2 from Baa1.[11] The long-term foreign currency bank deposit ceiling was lowered to B1 from Ba3, and the long-term foreign-currency bond ceiling was lowered to Ba1 from Baa3. This will make the raising of funds by the government on global capital markets to cover part of the cost of financing the estimated N$21.3 billion ($1.4 billion) 2020/2021 budget deficit more expensive (see *ARC Briefing Namibia June 2020*). In addition, the government currently intends to refinance part of its 2011-issued $500m **Eurobond** principal repayment falling due in November 2021 on the international market, to avoid drawing down foreign reserves.[12] The firm cited as the main reason for its rating action a further weakening in Namibia's fiscal

[6] Electoral Commission of Namibia, Namibia Votes 2020; The Namibian, 27 Nov 2020, 30 Nov 2020.
[7] The Namibian, 30 Nov 2020, 1 Dec 2020.
[8] The Conversation Africa (Johannesburg), 'Namibia's Democracy Enters New Era As Ruling Swapo Continues to Lose Its Lustre', 6 Dec 2020.
[9] The Conversation Africa (Johannesburg), 6 Dec 2020.
[10] The Conversation Africa (Johannesburg), 6 Dec 2020.
[11] Moody's Investor Services, Moody's downgrades Namibia's ratings to Ba3, maintains negative outlook, 4 Dec 2020; Informante, 7 Dec 2020.
[12] New Era, 11 Dec 2020.

position despite policy statements of plans to rein in the fiscal deficit. A statement issued in **London** read:

> *"The country's debt burden is now markedly higher, it will continue to rise for the foreseeable future; debt affordability is weakening. The* ***coronavirus*** *shock continues to pressure Namibia's revenue generation capacity, a trend exacerbated by Namibia's weak growth prospects, notwithstanding moderate institutional adjustment capacity and external buffers that backstop creditworthiness."*[13]

Local analyst firm **Cirrus Capital** commented:

> *"On the Moody's rating scale, this now places Namibia three rungs into 'junk' territory, or the lowest of the 'non-investment grade speculative' basket – just one level above 'highly speculative'."*[14]

Moody's noted that implementation of the government's fiscal consolidation plans will invariably prove challenging in a low growth environment, particularly as the government targets reducing the large public sector wage bill, which it described as a political hurdle. The successive sizeable budget deficits estimated for the 2020/21 and 2021/22 fiscal years will push up public debt to 72% of GDP by end-2020 and 74% in 2021. Meanwhile, it warned that the government's debt affordability had weakened, with interest charges set to rise to 15.5% of revenues in 2020/21 (up from 5% five years ago) to peak at around 80% of GDP by 2025.[15]

More encouragingly, **Fitch Ratings** reaffirmed Namibia's existing long-term foreign currency issuer default rating at 'BB' on 7 December. But this was combined with a continuing negative outlook. In its **Hong Kong**-issued statement, the firm made similar points to Moody's, highlighting increased downward pressures on creditworthiness due to a continued rise in general debt driven by persistent wide fiscal deficits and a protracted recession aggravated by the coronavirus pandemic shock:

> *"It also reflects challenges to fiscal consolidation from a difficult social context marked by a particularly high level of inequality."*

On the positive side, Fitch said there was some scope for a ratings upgrade, in response to

> "… *credible fiscal plans and evidence of stronger ability to implement fiscal reforms sufficient to stabilize the government debt to GDP trajectory in the medium term*".[16]

Stronger medium-term growth driven by improved mining sector prospects would also improve the prospects for a ratings upgrade. But Fitch cautioned, a recovery will be held back by continued fiscal consolidation, weak economic activity in key trading partners South Africa and **Angola**, the continued depletion of onshore diamond and zinc deposits, along with fishery stocks, coupled with water supply constraints. It also expressed concern that hurdles to public sector wage reduction and other fiscal consolidation measures could be exacerbated by economic hardship from the pandemic shock and the weakening of voter support for SWAPO.[17]

ARC has not been able locate any official response to the Moody's downgrade so far; much of the government is currently shutting down in anticipation of the traditional long Christmas holiday break. But Namibia's official opposition party, the PDM, expressed lack of surprise at the Moody's downgrade. Its treasury spokesman, **Nico Smit**, said the move was not unexpected due to the continuing deterioration in public finances, exacerbated by recent Covid-19 financing needs. He added that the downgrade "*is the last step in the ratings scale before*

[13] Moody's Investor Services, Moody's downgrades Namibia's ratings to Ba3, maintains negative outlook, 4 Dec 2020.
[14] Namibia Sun, 9 Dec 2020.
[15] Moody's Investor Services, Moody's downgrades Namibia's ratings to Ba3, maintains negative outlook, 4 Dec 2020.
[16] New Era, 11 Dec 2020.
[17] New Era, 11 Dec 2020.

descending to the B and C levels where government debt is viewed as high-risk investments".[18] Smit cautioned:

> "*Namibia's fiscal house is not in order and Covid-19 cannot be offered as an excuse. The government has become so completely dependent on borrowing, that just one more small external shock will put it in a position where it cannot pay the interest on its debt.*" [19]

Smit noted that the government's latest published borrowing schedule indicates that government debt will exceed 72% of GDP this year, and come close to 75% in 2021, with the government's ability to continue servicing public debt interest problematic in the near- to medium-term. [20]

Central bank keeps Namibia's repo rate unchanged…

The **Bank of Namibia** (**BoN**) (central bank) **Monetary Policy Committee** (**MPC**) made no change to Namibia's repurchase (repo) rate at its final 2020 meeting on 8 December. The BoN's 9 December Monetary Policy Statement (MPS) said leaving the rate unchanged on 3.75%,

> "*… remains appropriate to continue supporting domestic economic activity, while at the same time safeguarding the one-to-one link between the Namibia dollar and the South African rand.*" [21]

Given the scope provided by the prevailing low year-on-year inflation rate of just over 2%, it might turn out to be a missed opportunity to provide an additional stimulus to Namibia's recession-hit economy by reducing the rate, say by 25 basis points, in ARC's view. By not doing so, the BoN has kept it 25 basis points higher than South Africa's, almost certainly to guard against any prospective capital outflow to the larger and more sophisticated economy of its neighbour. The MPS did not refer to the previous month's rating decision by the **South African Reserve Bank** (**SARB**) (central bank), which opted to leave South Africa's repo rate unchanged on 3.50%, still the lowest level since 1998, although SARB governor **Lesetje Kganyago** noted that two of the five MPC members wanted another 25 basis point reduction, the same split vote as at the previous rate setting meeting in September.[22] In that event, the BoN would almost certainly have followed suit as otherwise the differential between the two countries' repo rates would have widened to 50 basis points, which has only happened for a brief period during the past decade. The SARB views inflation outlook risks as on the downside in the near term, with its headline consumer price inflation forecast marked down from 3.3% to 3.2% for 2020 and 3.9% for 2021 from 4%, well within the bank's 3%-6% target range.[23] This indicates Namibia is unlikely to suffer in the near term from imported inflation, which has in the past boosted domestic inflationary pressures. The next interest rate move could be upwards as Kganyago said the implied policy rate path of the SARB's quarterly projection model indicates no further rate cuts in the near term, and two increases of 25 basis points each in the third and fourth quarters of 2021.[24] That will pose a dilemma for the BoN, as it will be loath to raise its repo rate if the economic recovery next year is weaker than anticipated in ARC's view.

BoN governor **Johannes !Gawaxab** confirmed that domestic economic activity had declined during the first ten months of 2020 and is estimated to record an overall contraction this year (see below).[25] In another indicator of the economy's weak state, private sector credit extension (PSCE) had continued to slow, decelerating to 3.6% during January-October, down from 6.8% in the same period of last year. !Gawaxab said this was attributable to lower credit demand and

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[18] New Era, 9 Dec 2020.
[19] New Era, 9 Dec 2020.
[20] New Era, 9 Dec 2020.
[21] Bank of Namibia, Monetary Policy Statement 9 December 2020.
[22] Bloomberg News, 19 Nov 2020.
[23] Bloomberg News, 19 Nov 2020.
[24] Bloomberg News, 19 Nov 2020.
[25] Bank of Namibia, Monetary Policy Statement 9 December 2020.

debt repayments by businesses. Credit extension to the business sector actually fell by 0.8% during January-October, in contrast to 6.8% growth for the same period of last year.[26] Local economics writer **Daniel Steinmann** commented:

> "*The fact that the commercial private sector does not need credit shows the vast majority of businesses are scaling down, many of them having gone into distressed operations.*"[27]

Steinmann said the somewhat better credit demand from private households indicated that many people "*are borrowing short-term against assets (collateral) to make ends meet and survive.*" [28]

In its analysis, Windhoek stockbroker **IJG Namibia** noted that year-on-year (y/y), credit to businesses had decreased by 2.2% in October, while credit growth to households was 4.2%, resulting in overall PSCE growth of just 1.0%, down from 1.5% in September. The broker commented:

> "*This represents the lowest level of annual growth on our records dating back to 2002 as issuance continues to slow. N$2.39 billion ($159m) worth of credit has been extended to individuals on a 12-month cumulative basis, while corporates and the non-resident private sector decreased their borrowings by N$975m ($65m) and N$369m ($25m), respectively.*"[29]

Namibia's foreign reserves have also decreased, to N$29.9 billion ($2.0 billion) as at end-November 2020, down from N$32.7 billion ($2.2 billion) a month earlier, providing import coverage of 4.5 months. The central bank noted that the fall in reserves was attributable to net purchases of South African rand by local commercial banks, coupled with exchange rate revaluations through local currency appreciation (see below). The BoN added that the reduced level remains sufficient to protect the Namibia dollar/rand currency peg and Namibia's international payment requirements.[30]

… and forecasts a slightly less sharp GDP decrease this year

Although Namibia's economy remains in an extremely weak state due to the impacts of the Covid-19 pandemic, the central bank's latest economic outlook update published in December revised down this year's forecast contraction in real GDP to -7.3% from its previously predicted -7.8% (August outlook).[31] It also now expects a stronger economic recovery next year, with 2.6% GDP growth, up from 2.1% previously. This is in line with South Africa, where GDP is now expected to shrink by 8.0%, down from 8.2% previously, with positive growth of 3.5% in 2021.[32]

The paring back of the Covid-19 lockdown's impact mainly reflects an expected smaller reduction in Namibia's primary sector output, due mainly due to a stronger than anticipated performance by the mining industry. However, should Namibia be hit by a pandemic second wave, as has spread across the world since November and is also now being recorded in South Africa, this might necessitate a renewed lockdown of the economy. In this case, the central bank would almost certainly have to revise down its current 2021 GDP growth forecast in ARC's view. The latest one-day figure of 301 recorded positive cases (207 in Windhoek alone) on 10 December was only 15 less than the peak number of infections reported in August. Health minister **Kalumbi Shangula** commented:

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[26] Bank of Namibia, Monetary Policy Statement 9 December 2020.
[27] Namibian Economist, 3 Dec 2020.
[28] Namibian Economist, 3 Dec 2020.
[29] IJG, PSCE-October.
[30] Bank of Namibia, Monetary Policy Statement 9 December 2020.
[31] Bank of Namibia, Economic Outlook Update, December 2020.
[32] Bloomberg News, 19 Nov 2020.

> "*This is a clear indication of a resurgence of cases, therefore doubling efforts is urgently required to curb further transmission.*"[33]

Namibia's founding president, **Sam Nujoma** (1990-2005), was hospitalised on 6 December after testing positive for Covid-19, President Geingob announced on his official **Facebook** page. He added that Nujoma, aged 91 years, was in a stable condition and responding well to treatment, so Namibians had no cause for concern at present.[34]

While primary sector output is still forecast to contract this year, the 6.8% decrease is less than half the previously projected 13.9% decrease. Mining value-added output is expected to fall by 10.5% from 18.6% previously, due to what the central bank described as *"significant revisions"*.[35] The fall in gem diamond output has been pared back to -14.7% from -24.6%, reflecting higher offshore output partly offsetting the continued decrease in onshore recoveries. Uranium production is expected to fall by only 5.2% (22.9% previously) because both the **Husab mine** (90% owned by **China General Nuclear-CGN**) and the **Rössing** mine (69%-owned by **China National Nuclear Corp**. (**NCCI**)) have managed to operate at near to the previous year's levels of some 5,000 tonnes and 2,000 tonnes respectively.

However, secondary sector output is expected to have been worse hit than previously anticipated, contracting by 9.4% (-6.9% previously), due to a larger decrease in manufacturing output of -12.7% (-9.2% previously). But in 2021, manufacturing output is forecast to expand by 4.1%, boosting secondary sector output by 3.4%, as firms come out of survival mode, led by higher diamond processing and beverages production. Mining output is projected to increase by 2.9%, with diamond recoveries up by 2.8% due to a continued expansion in offshore mining recoveries and a recovery in the global diamond jewellery market. The central bank projects uranium output will increase by 8.5%, reflecting a gradual recovery in the global spot market price, which ended this year at just under $30 per pound of uranium oxide due to resumed buying by nuclear power utilities. Combined with resumed growth for both agriculture and fisheries, output by primary industries would record 3.0% growth, following two years of contracting real value-added.[36]

GDP growth forecasts 2019-2021[37]
(% change at constant prices)

	2019 (Prelim)	*2020 (Forecast)*	*2021 (Forecast)*
Agriculture & forestry	-2.6	-1.6	3.1
Fishing, onboard fish processing	6.1	-8.4	2.3
Mining & quarrying	-11.1	-10.5	2.9
Diamonds	-17.7	-14.7	2.8
Uranium	-4.4	-5.2	8.5
Primary industries	**-7.8**	**-6.8**	**3.0**
Manufacturing	3.5	-12.7	4.1
Beverages	12.5	-24.2	11.6
Non-ferrous metals	12.3	-23.0	2.2
Diamond processing	-7.0	-39.2	3.8
Construction	-7.9	-5.7	1.5

[33] New Era, 11 Dec 2020.
[34] The Namibian, 7 Dec 2020.
[35] Bank of Namibia, Economic Outlook Update, December 2020.
[36] Bank of Namibia, Economic Outlook Update, December 2020.
[37] Bank of Namibia, Economic Outlook Update, December 2020.

GDP growth forecasts 2019-2021[37] (% change at constant prices)			
	2019 (Prelim)	*2020 (Forecast)*	*2021 (Forecast)*
Electricity & Water	-5.4	8.4	1.4
Secondary industries	**0.9**	**-9.4**	**3.4**
Wholesale & retail trade	-4.7	-9.5	3.2
Hotels & restaurants	-2.7	-64.0	3.2
Transport & Storage	-3.4	-16.3	-1.7
Financial & insurance services	6.0	-2.6	2.8
Real estate activities	2.7	-7.8	1.2
Public administration & defence	2.2	-3.1	1.9
Tertiary industries	**0.6**	**-6.0**	**2.2**
FSIM[38]	n.a.	n.a.	n.a.
All industries at basic prices	**-0.9**	**-6.8**	**2.6**
Taxes less subsidies on products	-4.0	-14.3	2.3
GDP at market prices	**-1.1**	**-7.3**	**2.6**

Chamber of mines wants prospecting application freeze lifted

The **Chamber of Mines of Namibia** (**CMN**) has asked mines and energy minister **Tom Alweendo** to reconsider the freeze on the consideration and processing of new mineral prospecting licences announced in November, ARC has learned (see *ARC Briefing Namibia November* 2020).[39] The CMN had just under 60 full members as of end-December 2019, comprising virtually every mining and exploration company active in Namibia.[40] The suspension is due to last until mid-August 2021 and was stated to be necessary in order to update and align application procedures as set out in the current **Minerals (Prospecting and Mining) Act**. In its submission, the CMN contends that the suspension is unnecessary, as it will prevent much-needed inflows of foreign funding to finance new exploration activities.[41]

The CMN believes the priority should be to decongest non-performing exclusive prospecting licences (EPLs), which have over the past years been allocated to individuals and companies who lack the capability and funds to carry out exploration work. These have been held for speculative purposes, mainly by ostensible local empowerment individuals and entities. This has caused effective landlocking of prospective mineral deposits and left no new space for new investors. The non-performing EPLs can be cleaned up within the existing procedures of the mining law, ARC was told.[42]

Inflation eases to 2.2%

Year-on-year (y/y) inflation in November, as measured by the **Namibia Consumer Price Index** (**NCPI**), decreased again slightly to 2.2%, from 2.3% in October. Compared to a year earlier, inflation was 0.3 percentage points lower (see *ARC Briefing Namibia November 2020*).[43] Y/y 12-month inflation to November slowed to 2.2%, while the differential between goods

38 Financial intermediation services indirectly measured.
39 Top mining industry source
40 Chamber of Mines of Namibia, 2019 Annual Review.
41 Top mining industry source
42 Top mining industry source
43 Namibia Statistics Agency, Namibia Consumer Price Index, November 2020.

inflation (3.3%) and services inflation (0.8%) slightly widened from the previous month. As has been the case since April, food and non-alcoholic beverages continued to be the largest contributor to annual inflation in November, accounting for over half – 1.2 percentage points – of the overall inflation rate. Windhoek stockbroker IJG Namibia commented:

> "*As expected, inflationary pressure in Namibia remains extremely subdued and the Namibian inflation rate continues to trend lower than neighbouring South Africa's October figure (latest available release) of 3.3%.*" [44]

IJG's average inflation forecast is unchanged at 2.2% y/y for 2020 and 3.2% y/y in 2021. It continues to view global oil prices as "*one of the larger risks*" to its inflation forecast.[45] However, there is no sign of any significant upward trend in crude prices as global demand for oil remains weak and stocks high. On 14 December, crude oil prices were just under $50 per barrel; **European** benchmark **Brent** crude and **West Texas Intermediate** (**WTI**) were both slightly down in that day's trading at $49.86 and $46.45 per barrel respectively. Recent market analysis confirms that global oil demand is set to remain weak:

> "*The reality is that in the short term, the [Covid-19] vaccine news – and [**Organisation of Petroleum Exporting Countries**] OPEC+ developments – won't have any effect on oil demand, which has plagued the oil market since even before the pandemic started. But certainly after the pandemic set in, particularly in the **United States**, the lockdowns tamped down activity, and with it, oil demand. And even the best vaccine news that could be hoped for will have only a muted effect on oil demand through at least the first half of next year.*" [46]

Because of the low prevailing global oil price, the mines and energy ministry announced a decrease in the domestic price of petrol by N$0.30 ($0.2) cents per litre and that of diesel by N$0.20 ($0.1) cents per litre effective from 2 December.[47] This reduced pump prices in Walvis Bay (point of entry for petroleum products) to N$11.35 ($0.76) and N$11.38 ($0.76) per litre of petrol and diesel respectively.

The stronger local currency has also helped to restrain inflationary pressures. On 14 December, the South African rand/Namibia dollar traded at $1=R15.05, compared to $1=R16.29 on 16 November, an 8% appreciation. This was mainly due to a further weakening of the US dollar.[48]

While inflation for the food and non-alcoholic beverages category rose by 7.0% in October, that for food only went up by 7.5%.[49] However, some major food sub-components recorded static or slightly lower prices. Fruit prices rose by an unchanged 16.1%, while vegetable prices decelerated to 11.5% from 14.1% in October, with bread and cereal price rises slowing to 4.5% from 5.3%. Both the transport, and housing and utilities categories were deflationary in November. Transport prices (14.3% basket rating) decreased by an unchanged -1.2%; the fall in the cost of operating personal transport vehicles was also unchanged at -4.3%, while vehicle purchase cost increases slowed to 5.2% from 5.4%.

Deflation in the largest NCPI component, housing and utilities (28.4% weighting) moderated to -1.3%, mainly due to reduced reductions in rental payments, while water supply and sewerage services inflation stayed at 3.2%, with inflation for electricity, gas and other fuel slowing to 1.8% (2.0% in November).[50]

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[44] IJG Namibia, NCPI- November 2020.
[45] IJG Namibia, NCPI- November 2020.
[46] Oilprice.com (online), 14 Dec 2020.
[47] Namibia Economist, 27 Nov 2020.
[48] XE Currency Converter (online; https://www.xe.com/currencyconverter/), 14 Dec 2020.
[49] Namibia Statistics Agency, Namibia Consumer Price Index, Nov 2020.
[50] Namibia Statistics Agency, Namibia Consumer Price Index, Nov 2020.

Planner

16 Jan 2020 **(Namibia) Namibia Statistics Agency**, NCPI December 2020.

11 Feb 2020 (**Namibia) Namibia Statistics Agency,** NCPI January 2021.

17 Feb 2021 **Windhoek (Namibia) Bank of Namibia** (central bank) Monetary Policy Committee meeting.

11 March 2020 **(Namibia)** Annual Trade Statistics Report 2020.

Chronology

7 Dec 2020 **Windhoek (Namibia)** *Fitch Ratings*. Global credit ratings agency **Fitch Ratings** affirms **Namibia**'s long-term foreign-currency issuer default rating at 'BB' with a negative outlook;

3 Dec 2020 **Windhoek (Namibia)** *The Namibian*. President **Hage Geingob** says **Namibia** has dived to its deepest recession since the country gained independence in 1990;

3 Dec 2020 **Windhoek (Namibia)** *News24*. Ruling **Swapo** party member **Adolf Hitler Uunona** is elected in local council elections, but says he has *"no plans for world domination",* as newly formed **Independent Patriots for Change** makes inroads into Swapo's majority;

2 Dec 2020 **Windhoek (Namibia)** *The Namibian.* Local news outlet **The Namibian** alleges that five public officials and businessmen in the ongoing **Fishrot** scandal received payments of nearly 170m Namibian dollars ($11.4m) from Namibian subsidiaries of **Iceland**-based **Samherji** in return for fishing quota;

2 Dec 2020 **Windhoek (Namibia)** *Bloomberg*. Government invites offers for at least 170 elephants in the latest response to the increase in the animals' numbers, which they say they are prevented from keeping in check by international pressure;

2 Dec 2020 **Windhoek (Namibia)** *Global Construction Review*. **Chinese** state-owned **China Gezhouba Group Corporation** begins project to build a 107.5km railway, named **A1S1**, between **Walvis Bay** and **Arandis**, costing $72.7m;

1 Dec 2020 **Windhoek (Namibia)** *The Namibian*. President **Hage Geingob** says he expects to launch a recovery plan in February 2021 aimed at reviving the economy, which is struggling from the effects of **covid-19**;

30 Nov 2020 **Windhoek (Namibia)** *Proactive Investors*. **Canada**-headquartered **Eco Atlantic Oil & Gas** tells investors it has successfully negotiated the reissue of four licences in the **Walvis Basin**, offshore **Namibia**;

26 Nov 2020 **Windhoek (Namibia)** *Reuters*. Senior health ministry official says **Namibia** has approved an upfront payment of 26.4m Namibian dollars ($1.74m) to the **COVAX** global **covid-19** vaccine distribution scheme co-led by the **World Health Organization**;

20 Nov 2020 **Windhoek (Namibia)** *Moneyweb*. Mining ministry grants **Namibian** government and **South Africa**-based **De Beers Group** joint venture **Namdeb** a holiday on royalty payments in bid to save jobs in the shrinking sector.

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