

Annual profile: Namibia

January 2003



Background

South Africa occupied the German colony of Sud-West Afrika during World War I and administered it as a mandate until after World War II when it annexed the territory. In 1966 the South-West Africa People's Organisation (Swapo) launched a war of independence for the area that was soon named Namibia. It was not until 1988 that South Africa agreed to end its administration in accordance with a UN peace plan for the entire region.

Since independence in 1990 the country has continued to have strong diplomatic relations, monetary policy and trade ties with South Africa.

Government	Geography
<p>Government type: Republic. Capital: Windhoek. Independence: 21 March 1990 (from South African mandate). Chief of state: President Samuel Nujoma (since 21 March 1990). Elections: President elected by popular vote for a five-year term. Election last held: 30 November and 1 December 1999. Next election: 2004. <i>Source: CIA World Factbook 2002</i></p>	<p>Area Total: 825 418 sq km. Land: 825 418 sq km. Water: 0 sq km.</p> <p>Land boundaries Total: 3 936 km. Border countries: Angola 1 376 km, Botswana 1 360 km, South Africa 967 km, Zambia 233 km.</p> <p>Coastline 1 572 km.</p> <p>Climate Desert; hot, dry; rainfall sparse and erratic.</p> <p>Terrain Mostly high plateau; Namib Desert along coast; Kalahari Desert in east.</p> <p>Natural resources Diamonds, copper, uranium, gold, lead, tin, lithium, cadmium, zinc, salt, vanadium, natural gas, hydropower and fish. Note: suspected deposits of oil, coal and iron ore.</p> <p>Land use: Arable land: 1%. Permanent crops: 0%. Other: 99% (1998 est).</p> <p>Irrigated land 70 sq km (1998 est).</p> <p>Natural hazards Prolonged periods of drought.</p> <p>Environment: Very limited natural fresh water resources; desertification.</p> <p><i>Source: CIA World Factbook 2002</i></p>
People	
<p>Population 1.8 million.</p> <p>Population growth rate 1.19% (2002 est).</p> <p>Life expectancy at birth Total population: 38.97 years. Male: 40.81 years. Female: 37.07 years (2002 est).</p> <p>Ethnic groups Black 87.5%, white 6%, mixed 6.5%.</p> <p>Religions: Christian 80% to 90% (about 50% Lutheran) Indigenous beliefs 10% to 20%.</p> <p>Languages English 7% (official), Afrikaans common language of most of the population and about 60% of the white population, German 32%, Oshivambo, Herero, Nama.</p> <p>Adult literacy rate Definition: % of population aged 15 and over that can read and write. 2000: 82%. <i>Source: CIA World Factbook 2002, UNDP Human Development Report 2002</i></p>	



Health	Human development																																												
<p>People living with HIV/Aids: Adults (age 15-49) 2001: 22.5%. Women (age 15-49) 2001: 110 000. Children (age 0-14) 2001: 30 000.</p> <p>Tuberculosis cases (per 100 000 people) 1999: 469.</p> <p>Undernourished people (1997/99) 33% of total population.</p> <p><i>Source: UNDP Human Development Report 2002</i></p>	<p style="text-align: center;">HDI Ranking (2000) 122 out of 173 countries (1=most developed, 173= least developed)</p> <table> <tr> <td>Norway</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Mauritius</td> <td style="text-align: right;">67</td> </tr> <tr> <td>South Africa</td> <td style="text-align: right;">107</td> </tr> <tr> <td>Gabon</td> <td style="text-align: right;">117</td> </tr> <tr style="background-color: #cccccc;"> <td>Namibia</td> <td style="text-align: right;">122</td> </tr> <tr> <td>Swaziland</td> <td style="text-align: right;">125</td> </tr> <tr> <td>Botswana</td> <td style="text-align: right;">126</td> </tr> <tr> <td>Zimbabwe</td> <td style="text-align: right;">128</td> </tr> <tr> <td>Ghana</td> <td style="text-align: right;">129</td> </tr> <tr> <td>Lesotho</td> <td style="text-align: right;">132</td> </tr> <tr> <td>Kenya</td> <td style="text-align: right;">134</td> </tr> <tr> <td>Madagascar</td> <td style="text-align: right;">147</td> </tr> <tr> <td>Nigeria</td> <td style="text-align: right;">148</td> </tr> <tr> <td>Uganda</td> <td style="text-align: right;">150</td> </tr> <tr> <td>Tanzania</td> <td style="text-align: right;">151</td> </tr> <tr> <td>Zambia</td> <td style="text-align: right;">153</td> </tr> <tr> <td>DRC</td> <td style="text-align: right;">155</td> </tr> <tr> <td>Ivory Coast</td> <td style="text-align: right;">156</td> </tr> <tr> <td>Angola</td> <td style="text-align: right;">161</td> </tr> <tr> <td>Malawi</td> <td style="text-align: right;">163</td> </tr> <tr> <td>Mozambique</td> <td style="text-align: right;">170</td> </tr> <tr> <td>Sierra Leone</td> <td style="text-align: right;">173</td> </tr> </table> <p>The Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity, knowledge and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined gross primary, secondary, and tertiary enrolment ratio; and standard of living, as measured by GDP per capita.</p> <p><i>Source: UNDP</i></p>	Norway	1	Mauritius	67	South Africa	107	Gabon	117	Namibia	122	Swaziland	125	Botswana	126	Zimbabwe	128	Ghana	129	Lesotho	132	Kenya	134	Madagascar	147	Nigeria	148	Uganda	150	Tanzania	151	Zambia	153	DRC	155	Ivory Coast	156	Angola	161	Malawi	163	Mozambique	170	Sierra Leone	173
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<p style="background-color: #cccccc;">Corruption perceptions index (2002)</p> <p>Score: 5.7 (where 10 is "highly clean" and 0 is "highly corrupt"). Place: 28 (102 countries surveyed, 1 = least corrupt, 102 = most corrupt). (The surveys reflect the perceptions of business people, academics and country analysts. The surveys were undertaken over the past three years and no country has been included in the index without results from a minimum of three surveys).</p> <p><i>Source: Transparency International</i></p>																																													
<p style="background-color: #cccccc;">Restrictions on capital flows</p> <p>Namibia is part of the Common Monetary Area (CMA) with South Africa, Swaziland and Lesotho.</p> <p>Non-resident capital flows are generally unrestricted. Capital, profits and dividends can be repatriated.</p> <p>Exchange control limitations do apply to resident capital flows.</p>	<p style="background-color: #cccccc;">Sovereign Credit Rating</p> <p>Standard & Poors</p> <p>Local currency Long-term: not rated Short-term: not rated</p> <p>Foreign currency Long-term: not rated Short-term: not rated</p> <p>Moody's Investor Service</p> <p>Foreign currency debt: not rated Foreign currency bank deposits: not rated Namibia Government</p> <p>Issuer rating –Foreign currency: not rated Issuer rating –Domestic currency: not rated</p> <p>Fitch ratings</p> <p>Local currency Short-term: not rated</p> <p>Foreign currency Long-term: not rated Short-term: not rated</p>																																												
<p style="background-color: #cccccc;">Taxation</p> <p>Companies in Namibia are not uniformly taxed. While the corporate tax rate is 35% the actual rate varies between industries. Diamond mining companies pay taxes in excess of 50% while taxes for other mining companies varies between 30% and 60% depending on profitability.</p> <p>The tax system is under review.</p>																																													

Economy

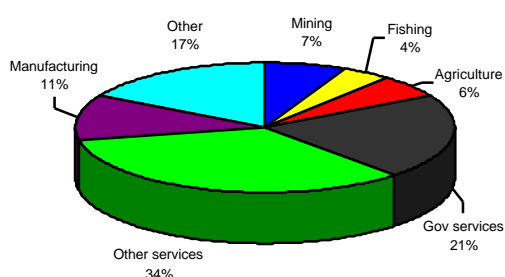
Selected statistics

	1996	1997	1998	1999	2000	2001	2002 ³
Population	1.6	1.7	1.7	1.7	1.8	1.8	1.8
Nominal GDP (US\$m) ¹	3 192	3 642	3 398	3 387	3 372	3 103	2 913
GDP/head (US\$) ¹	1 970	2 194	2 011	1 969	1 853	1 724	1 600
Exchange reserves – excl. gold (US\$m) ²	194	251	260	305	260	234	265 ^(sep)
Import cover (months) ²	1.5	1.8	2.1	2.6	2.4	2.1	2.6 ^(sep)
External debt (US\$bn) ²	0.06	0.09	0.08	0.13	0.11	0.18	-
External debt (% of GDP)	1.8	2.7	2.4	4.2	3.2	5.9	-

1) Year beginning in January. 2) End of period. 3) Preliminary or estimates.

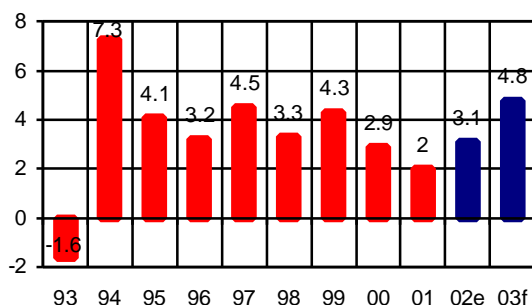
e = estimate, f = forecast

Economic structure



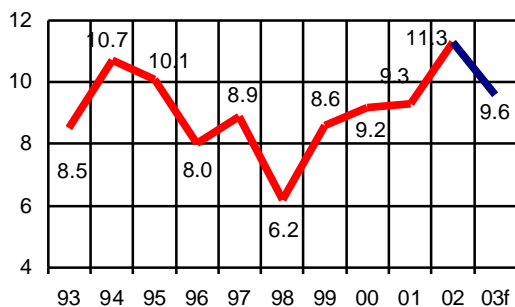
- The economy has historically been dependent on core sectors. Investments in both the mining and textile industries will gradually transform the economic structure.
- Agriculture consists mainly of cattle and sheep raising and to a lesser extent crop production. Recently, commercial farming has grown in importance while value-added subsistence farming has levelled off.
- The fishing industry has potential but it has been negatively affected in recent years by a combination of adverse weather conditions and quotas. Primary and secondary fishing activities' contribution to GDP shrank from 8% in 1994 to 5% in 2001.
- The mining sub-sector is dominated by diamond mining. Other mining includes uranium, of which the country is a significant global producer, zinc, gold and copper. The Skorpion Zinc project will increase the mining sub-sector's contribution to GDP from 2003.
- Manufacturing is dominated by the manufacturing of food (other than meat and fish) and beverages. Textile manufacturing, to take advantage of AGOA, is expected to grow in importance.
- Government is a significant economic agent and is responsible for 21% of GDP and about 40% of the services sector.

Real GDP growth (%)



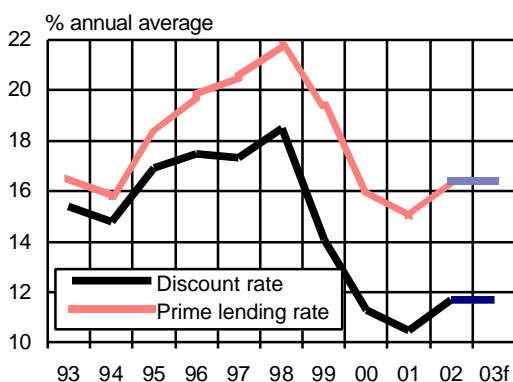
- Relatively subdued growth in the 1980s gave way to higher levels in the early 1990s. Higher growth was the result of the opening of new diamond mines, positive developments in fishing and the rapid growth in government services.
- Integration into the global economy rendered the economy vulnerable to external shocks. This together with structural deficiencies resulted in erratic growth in recent years.
- Growth slowed as a result of the Asian crisis and again in 2001 as global economic conditions deteriorated. Growth also suffered the consequences of adverse weather conditions. Investments in large projects have, however, protected the economy against the full impact of external shocks.
- The Skorpion Zinc project has resulted in an improved economic outlook. Output from the project is expected to contribute to growth from 2003. Textile manufacturing should further stimulate growth. A marginal recovery is anticipated in diamond mining in line with an improved outlook for the global economy.

Consumer inflation (%)



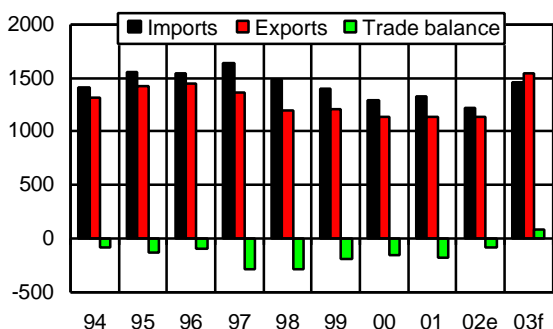
- Monetary policy dependence and the fact that inflation is, to a large degree, imported from South Africa are responsible for inflation in Namibia following a similar trend to that in South Africa. Differences in the CPI weights and domestic factors may result in inflation running above or below South Africa's.
- Inflation responded favourably to the relatively strict monetary policy stance followed by the Bank of Namibia since 1995.
- Inflation subsequently rose as a result of a sharp depreciation in the Namibian dollar and rising international oil prices. The dismal regional food security situation in 2002, caused by adverse weather conditions, compounded the upward pressure on inflation.
- Timely reaction by the monetary authorities and an expected improvement in the food situation should result in lower inflation levels in 2003. The strength of the Namibian dollar since November 2002, if sustainable, should further support a lower inflationary environment. However, volatile international crude oil prices will continue to impact on inflation.

Interest rates (%)

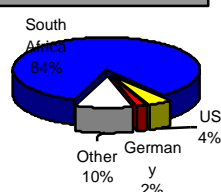


- Monetary policy in Namibia is dependent on that of South Africa due to the country's CMA membership. While interest rates in Namibia generally follow those in South Africa, rate levels may differ. Recently, interest rates in Namibia have been above those in South Africa. Explanations for this include inflation levels, risk and cost of funding. The Bank of Namibia is, however, eager to see a closer alignment of rates between the two countries.
- Interest rate changes are primarily directed towards keeping inflation at bay. The inflationary pressures experienced towards the end of 2001 resulted in interest rates being hiked at different stages in 2002. At the end of 2002 the average prime lending rate of commercial banks stood at 17.5% compared to 14% at the end of 2001. The improved outlook for inflation in 2003 should allow for a drop in interest rates.

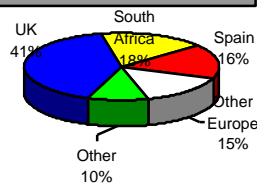
International trade (US\$m)



Source of Imports

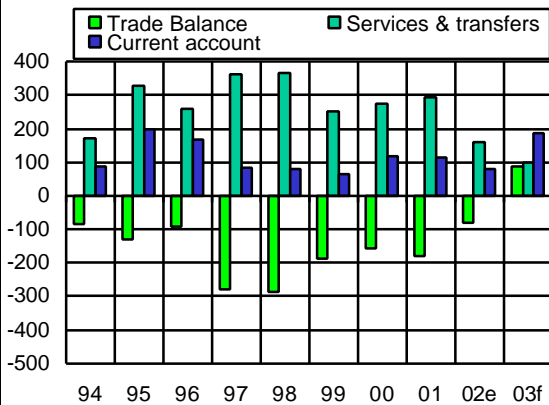


Destination of exports



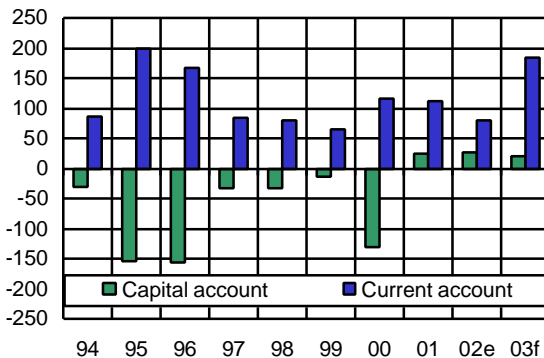
- Total trade in relation to GDP has been around 80% in recent years, which illustrates the country's openness and vulnerability to external shocks.
- Due to historical ties and limited industrial development a significant percentage of manufactured and other goods and services are imported from South Africa.
- Diamonds have traditionally been the country's largest export commodity (45% of total exports in 2001) followed by other minerals and various manufactured products. Zinc and textile exports should increasingly contribute to the country's export performance in the future.
- The strong propensity to import resulted in deficits on the trade balance. In recent years the trade deficits widened due to a combination of a slowdown in exports and high imports. The import requirements of large projects further compounded the deterioration on the trade account.
- Strong growth in exports is expected in 2003 on account of output from Skorpion Zinc, textiles from Ramatex and a general improvement in regional and global economic conditions.

Current account (US\$m)



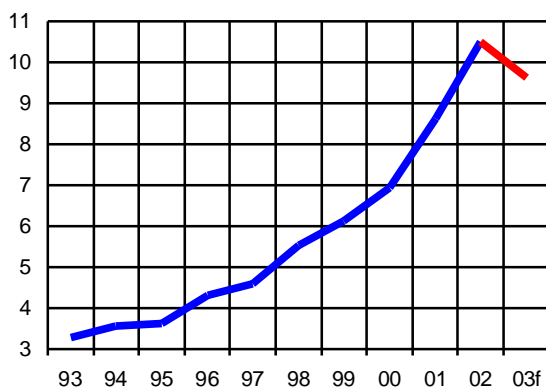
- The country's trade deficits have historically been absorbed by inflows on the services, investment and transfer accounts, which have resulted in current account surpluses.
- Recently, however, investment outflows have absorbed inflows while a decline in revenue received from the Southern African Customs Union (SACU) have eroded the surpluses on the transfer account.
- The deterioration in the services, income and transfer accounts has, however, been compensated for by an improvement on the trade balance.
- The positive outlook for the trade balance in 2003 and beyond is expected to result in growing surpluses on the current account.

Capital flows (US\$m)



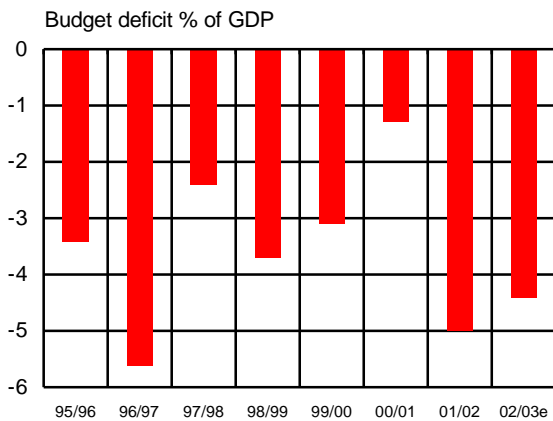
- Large capital outflows in the mid-1990s have largely been absorbed by surpluses on the current account.
- Since 2001 the capital account registered its first surpluses in many years which complemented the positive developments on the current account. Capital inflows have been supported by increased direct investment from abroad, most noticeably in large projects such as Skorpion Zinc and Ramatex Textiles.
- Capital inflows also benefited from investment in infrastructure and industries supporting large projects.
- Continued investment, although at lower levels, and the positive outlook for the current account should ensure a healthy overall balance of payments position in the short- to medium-term.

Namibia dollar/US\$



- The Namibian dollar trades on par with the South African rand due to the country's CMA membership. Developments in the Namibian dollar exchange rate are therefore more sensitive to the underlying factors affecting the rand's performance against other currencies.
- The depreciation in the Namibian dollar exchange rate accelerated in recent years due to a combination of factors. The emerging market crisis, which reached its peak in 1998, placed increased focus on the risk profile of emerging markets. As a result, emerging market currencies have become more volatile and interlinked.
- The exchange rate has also suffered as a result of delayed privatisation in South Africa while regional instability (most noticeably in Zimbabwe) did not instil confidence.
- After recording one of its worst performances in 2001 the currency gradually staged a recovery in 2002. The recovery extended into 2003, which has given rise to expectations of a break in historical trends.
- The outlook for greater stability in the currency has improved based on economic fundamentals, a strong export drive and progress with South Africa's privatisation programme.

Government finances



- The country's fiscal management has rendered mixed results in recent years. The latter part of the 1990s witnessed volatile and growing budget deficits, which translated into rising public debt.
- Declining revenue from the South African Customs Union (SACU) clouds the country's fiscal position. Revenue from this source has declined and is expected to drop further in line with the new revenue sharing formula.
- To substitute declining SACU receipts, focus is being placed on broadening the tax base and improving revenue administration and collection. In this regard VAT replaced GST in November 2000. Already the benefits have been felt. Revenue should also benefit from a range of other taxes and levies that have been introduced recently, or are in the pipeline. These include land taxes and levies on imports, exports and domestic consumption.

Economic outlook

- The outlook for the Namibian economy has improved with the completion or near completion of two major projects. The most significant is the Skorpion Zinc project which is expected to benefit GDP growth and exports in coming years. The second is the Ramatex textile factory established to take advantage of the preferential trade access to the United States offered by the African Growth and Opportunity Act (AGOA).
- Despite these positive developments the state of the global diamond market, the problems experienced by the fishing industry and the exploitation of additional revenue sources to counter falling SACU receipts, continue to play a significant role in the country's economic performance and development.
- In the short-term real GDP growth is projected to improve as a result of better prospects for the southern African region and the global economy which should benefit domestic production, exports and government revenue. An additional boost is expected from production and exports from Skorpion Zinc, while increased production and exports from Ramatex should further complement growth.
- From the above it is evident that significant progress has been made in recent years by the government to improve the prospects for Namibia and its people. The sustainability of this success is, however, subject to how the country manages investor perceptions in light of the scrutiny the whole region is exposed to as a result of events in Zimbabwe. Insensitivity towards economic and global realities has the potential to derail the good work that has been done thus far.

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