

Economic impacts of and policy responses to the coronavirus pandemic: early evidence from Namibia

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Key messages

- After testing of 362 suspected cases, Namibia has reported 16 positive cases, 3 recoveries and 0 deaths.
- Despite an already weak economy, and the negative impact on its key mining and tourism sectors, the government has taken decisive steps to halt the spread of the virus.
- The government has shelved prior plans for a stimulus package as part of the 2020/21 budget and instead presented a new package of measures totalling \$435 million aligned with the new realities.
- It remains unclear how these measures will be financed; Namibia already has relatively high levels of public debt.

Introduction

Namibia entered the crisis [following three years of economic contraction](#) and with [high levels of unemployment, income inequality](#) and public debt. Official forecasts have yet to be revised but an [expected return to growth](#) is now in danger of not materialising.

As of 5 April, Namibia has reported [16 positive cases of COVID-19, with 3 recoveries and no deaths](#). One case is suspected of having been contracted locally. [A total of 362 suspected cases were tested](#).

On 17 March, the government declared a national state of emergency, introducing social distancing measures that included the closure of schools and the cancellation of Independence Day celebrations. On 27 March, the government announced [further measures](#), including extending the travel ban by a further 30 days, ordering non-essential government employees to work from home for 14 days and a lockdown of the two most populated regions (Komas and Erongo) for 21 days.

The travel ban was initially established on 14 March for all long-haul flights. Since 26 March, [entry to Namibia is banned for all foreign nationals, commercial flights out of Namibia are cancelled and ports and some land border crossings have been closed to passengers](#).

As of 2016, [domestic government health expenditure per capita was \\$600](#), and [external health expenditure per capita was \\$67.6](#).

Economic and social impacts

Prior to the crisis, the economy [was forecast to grow by 1.5% this year](#), following a three-year recession. There has been no official update to the growth forecast but the economy can expect shocks to major sectors including mining and tourism.

[Mining operations, which represent 9.3% of GDP and more than 50% of exports, have been halted for at least three weeks](#). Top commodity exports from Namibia include [copper, gems \(mostly diamonds\), ores and fish](#). Export prices for these commodities are expected to fall as a result of the global economic slowdown – as is already the case for [copper](#). This could lead to a substantial decrease in export revenues.

More than [40,000 jobs are directly at threat](#) from the complete halt of tourism-related activities, arising from the closure of borders and movement restrictions within the country. [Tourism was an estimated 10.9% of GDP in 2018, and has been one of the few steadily growing sectors over the past three years](#).

The year-on-year inflation rate has been steadily decreasing over the course of the past year, [from 4.65% in January 2019 to 2.45% in February 2020, although up slightly from 2.05% in January 2020](#).

Finance

As of 8 April, [the US\\$-NAD exchange rate was 18.36, and the EUR-NAD was 19.93, down from 15.33 and 17.01, respectively, from a month before](#). Namibian dollars are directly pegged to the South African rand (1:1). Monetary decisions and [confidence in South African markets](#) thus have a direct impact on the

Namibian economy. [On 3 April, South Africa saw its sovereign credit rating downgraded, which caused the rand to fall dramatically.](#)

In February 2020, the Bank of Namibia [held approximately \\$2 billion in reserves. Import cover was estimated at 4.3 months in December 2019.](#)

The Namibian stock market has been hit hard since the government established its lockdown measures. [Stocks reached a five-year low on 23 March but recovered slightly following the announcement of an economic stimulus package.](#) As of 2 April, [stock prices were down 23% compared with 2 March.](#)

Social impact

[An estimated 40% of Namibians live in shacks,](#) often lacking access to private sanitation, water and electricity. This substantially hampers the capacity of a large share of the population to follow the lockdown rules in place in major cities.

Fiscal impacts

A vote on the national budget 2020/21 scheduled for March after the new government was established has been [postponed until further notice.](#) Instead, a continuation authorisation has been adopted, allowing for public spending up to 33% of last year's budget, to ensure the continuation of public services pending adoption of the budget.

Namibia's public debt has substantially increased over the past five years and was [projected to reach 51% of GDP in 2020](#) prior to the crisis. There is no available information on how the economic stimulus package will be financed, but debt levels are expected to increase as government revenues decrease and spending increases.

As of September 2019, [59% of Namibia's government external debt was denominated in US dollars, and 5% in euros.](#) The foreign debt stock represented 35.5% of the total central government debt stock in the last quarter of 2019.

Monetary and financial policy

[The Bank of Namibia has issued a number of policy and regulatory changes](#) to support businesses and banking institutions. It is assisting banking institutions through liquidity relief: (i) relaxing the limit of seven days for the Determination on Liquidity Risk Management; (ii) reducing the capital conservation buffer rate to 0% for at least two years; and (iii) postponing implementation of the 25% single borrower and concentration risk limits.

It has also allowed banks to issue loan payment moratoriums for a period between 6 and 24 months

after thorough assessment of economic and financial difficulties of individual borrowers.

Fiscal and social policy

[An N\\$8.1 billion \(US\\$436 million\) economic stimulus and relief package aimed at addressing the negative impacts of the 21-day lockdown was presented on 1 April.](#) This equals 4.5% of GDP, and [amounts almost exactly to the budget planned for the growth stimulus package set within the pending budget.](#)

Support to businesses

- Wage subsidy for hardest-hit sectors (N\$400 million);
- Accelerated repayment of overdue undisputed VAT refund (N\$3 billion) and pending invoices from government (N\$800 million);
- Guarantee of N\$500 million, concessional rate, loan scheme for non-agricultural small businesses and N\$200 million for farmers and agricultural businesses;
- Allowing for capital repayment moratorium (6–24 months) for borrowers of the Development Bank of Namibia and AgriBank;
- Tax-back loan scheme to non-mining corporates up to 1/12th of their previous year tax payment, at concessional rate (government guaranteed up to N\$470 million);
- Relaxing labour regulations by allowing for a reduction of 20%, and up to 50% for hardest-hit industries, based on negotiations.

Support to households

- Emergency income grant of N\$750 for individuals who have lost their jobs. This one-off payment is granted based on applications and capped at a total of N\$526 million;
- Tax-back loan schemes to tax-payers and self-employed who have lost income, up to 1/12th of their previous year tax payment, at concessional rate (government guaranteed up to N\$1 billion);
- Water subsidy during lockdown periods, with water points to be kept open without a need for a water card (N\$10 million for first period).

Donor support

There is no official information on emergency support packages from international donors to Namibia at the time of writing. The 24 March presidential address appealed to both development partners and the private sector to mobilise resources to support the government response.

Information in this note is correct as of 8 April 2020. The author is an ODI Fellow with the Namibia Nature Foundation; this note is written in a personal capacity. Comments welcome to j.perche.fs@odi.org.uk