Namibia Budget 2019/20

Introduction

The Namibia Budget was tabled on 27 March 2019 and addresses most of the major concerns the average Namibian have, specifically the bulging wage bill and the growth in public debt. It's in our view a good budget, but the challenge we face as a country is whether it's "All hands on deck". The fact is that the Minister of Finance can do a good job with drawing up the budget, but will it receive the collective support from the entire government?

Revenue and Expenses

Chart 1 indicates the annual percentage change in the total government revenue since 1992. It shows that in the past year actual revenue decreased with 3.4% and that future revenue (dark red and white bars) is budgeted at only a 3% for 2019/20 followed with 2.6% and 3.1% for 2021 and 2022. It is regarded as being conservative in current circumstances.

Chart 2 indicates that the government has curbed expenses since 2017 and that the actual expenses in 2018/19 decreased with 2.1% from the previous year. It also shows that expenses will only grow with 4% in 2019/20 followed by 0.9% in 2021 and 1% in 2022. In the current tough economic times and conservative revenue growth budgeted, it implies that the Minister found a fine balance between revenue and expenses over the next three years.

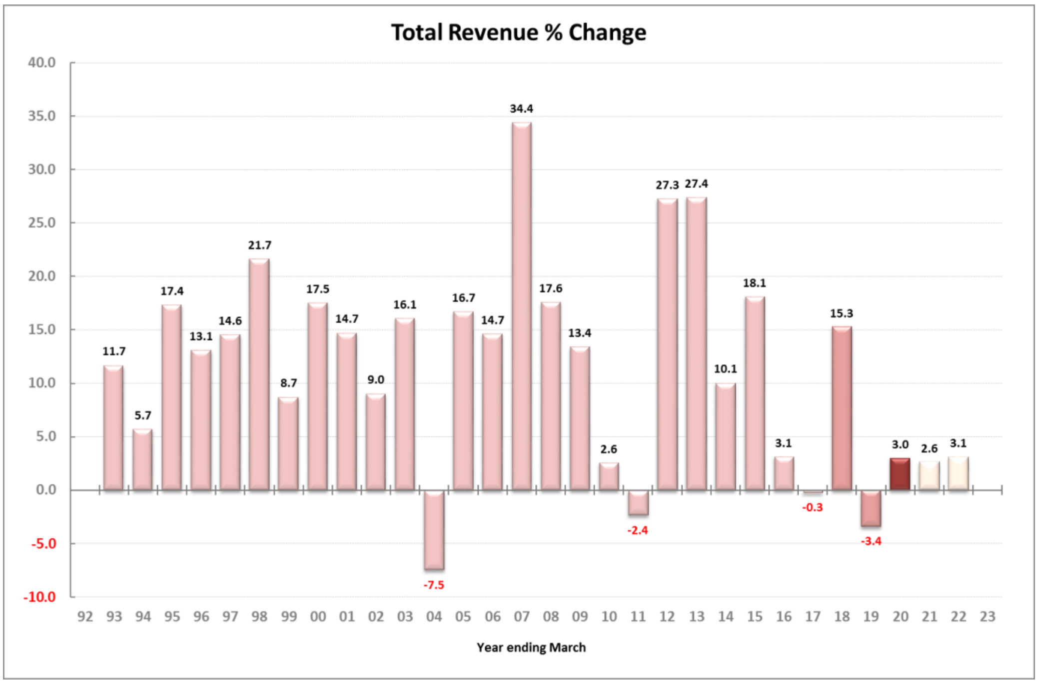

Chart 1: Total Revenue % Change

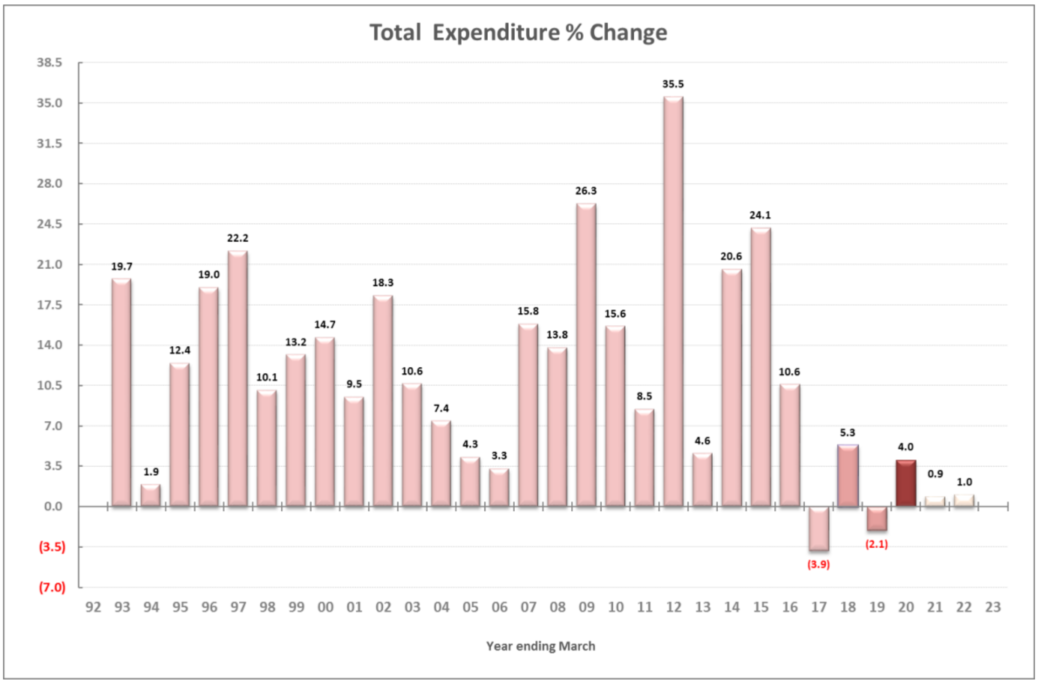

Chart 2: Total Expenditure % Change

We do however wish to specifically highlight the Wage Bill as it makes out approximately half the total expenses budget. Any change in this cost is thus crucial going forward. From Chart 3 it can be seen how aggressively the wage bill grew in the past with much higher annual changes than inflation (blue line). It does however also indicate that the wage bill reduced in 2018/19 with 0.8% and that a moderate increase of 3.6% is budgeted for 2020, followed by 3% for both 2021 and 2022. This reflects restraint.

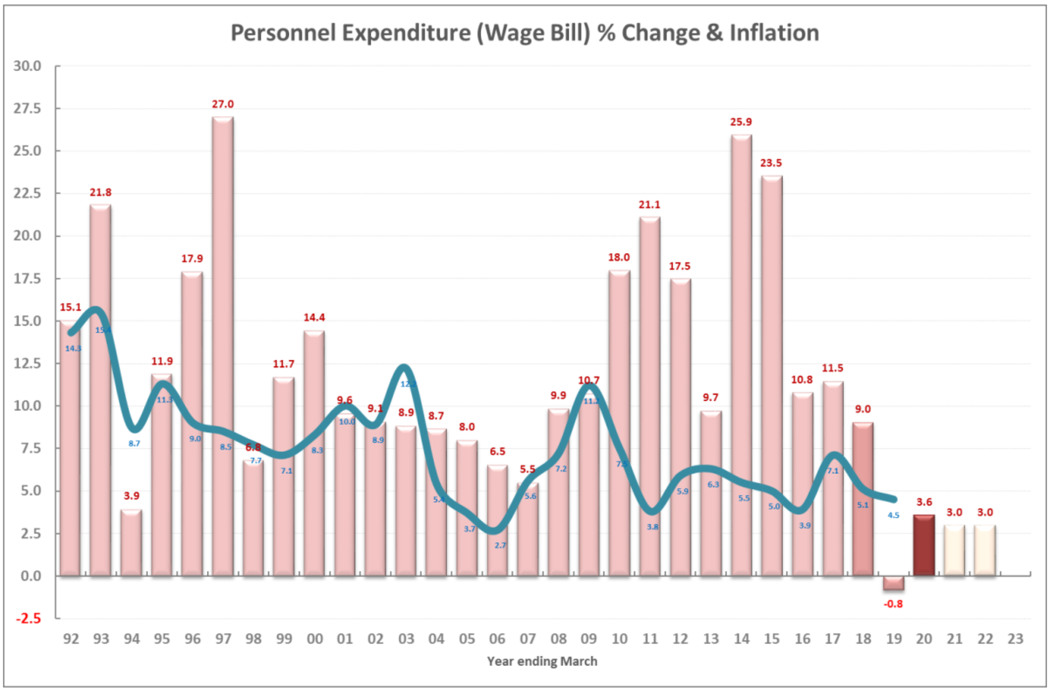

Chart 3: Personnel Expenditure (Wage Bill) % Change & Inflation

Debt as Percentage of GDP

As a result of the widening gap between revenue and expenses in the past, coupled with the weakening of the Namibia dollar against all major currencies, total government debt deteriorated from 2015 when it was still below the targeted 35% of GDP to 46% currently. The budget does show that the debt will increase to 49% of GDP in 2019/20, but based on the long-term assumptions, total debt is budgeted to peak at 52% of GDP in 2022, reducing to the target of 35% by 2032 in theory. It is however expected that government will be able to reduce the debt much faster in future due to the selling of some assets and the use of bilateral loan agreements with other countries. Based on this we believe that the upward pressure on the cost of government debt should be subdued.

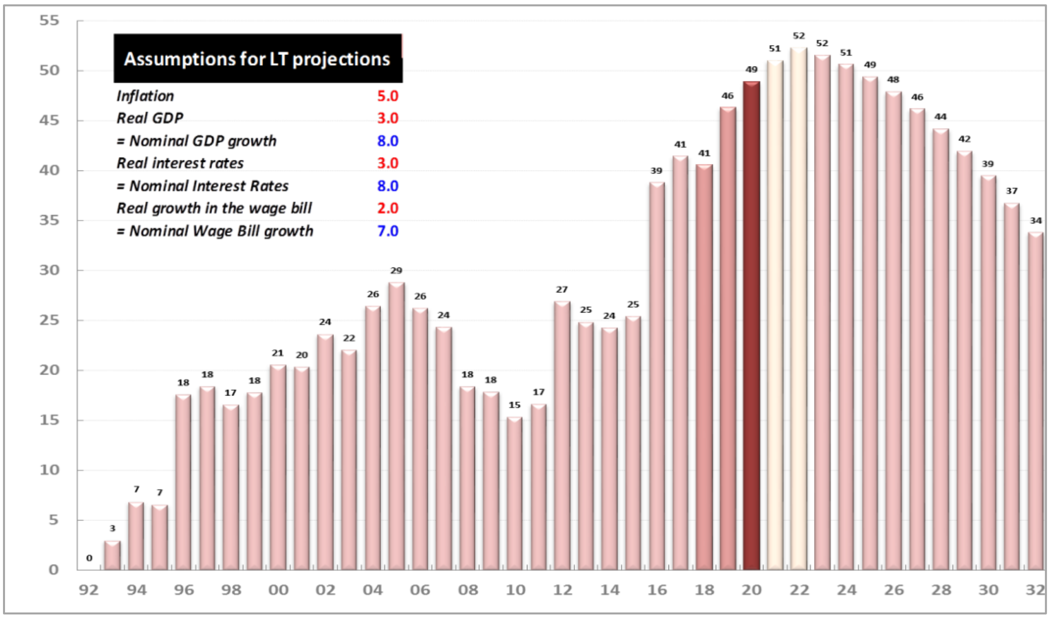

Chart 4: Debt as a % of GDP

Conclusion

Overall the latest budget can be viewed as a good budget as can be seen from the reduction in the growth rates in spending and debt forecasted. The risk is however, as expressed, that the real challenge will be for government to execute as a whole on the budget over the next three years. Hopefully Namibia can regain its investment grade country rating from the international rating agencies sooner rather than later.

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You may contact us at cam.service@capricorn.com.na or +264 61 299 1950 to enquire whether you have email indemnity with us.

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Capricorn Online enables you to:

- View your latest balance & unit prices online;
- Generate investment & tax statements;
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- Do switches between funds or;
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In order to ensure transactions are correctly processed or requests are correctly adhered to, we kindly request you to always indicate your Client number when communicating with us. Should you have a specific instruction relating to a specific fund, kindly also indicate the Account number.

For electronic deposits or withdrawal requests kindly indicate your Account number. E.g. **E**12345678**A**12345.

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