Best's Country Risk Report

Namibia

CRT-4

August 22, 2019

Region: Sub-Saharan Africa

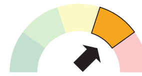
Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Namibia is a CRT-4 country with high levels of economic, political and financial system risk. Growth in the earlier part of the last decade was strong, driven by increased mining operations, public investment projects, and supportive commodity prices. However, the country entered a recession in 2017, due to global commodity price shocks, negative weather events, and an unsustainable debt trajectory that prompted fiscal consolidation.
- The IMF expects the country to return to growth over the coming year. Long-term growth is expected to be around 3%.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at a CRT-3, and South Africa at a CRT-4.

Vital Statistics 2018		
Nominal GDP	USD bn	13.82
Population	mil	2.4
GDP Per Capita	USD	5,727
Real GDP Growth	%	-0.1
Inflation Rate	%	4.3
United Nations Estimates		
Literacy Rate	%	88.3
Urbanization	%	49.0
Dependency Ratio	%	67.3
Life Expectancy	Years	64.8
Median Age	Years	21.0
Insurance Statistics		
Insurance Regulator	The Namibia Financial Institutions Supervisory Authority	
Premiums Written (Life)	USD mil	681
Premiums Written (Non-Life)	USD mil	279
Premiums Growth	%	22.6
Regional Comparison		
	Country Risk Tier	
Namibia	CRT-4	
Botswana	CRT-4	
South Africa	CRT-4	
Ghana	CRT-5	
Kenya	CRT-5	

Source: IMF, UN, Swiss Re, Axco and AM Best


Economic Risk


Political Risk


Financial System Risk

Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk

Country Risk Tier 2 (CRT-2) Low Level of Country Risk

Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk

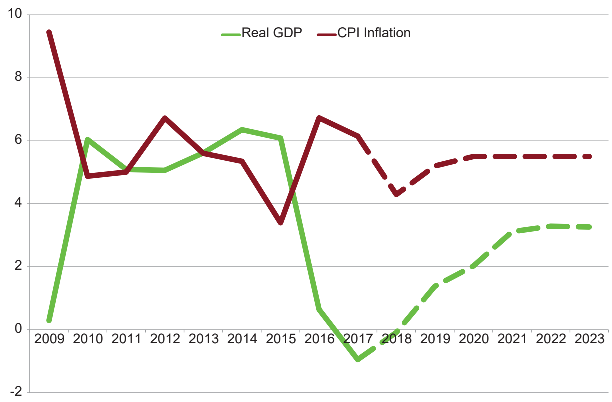
Country Risk Tier 4 (CRT-4) High Level of Country Risk

Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

- Growth is expected to pick up, driven by public investment in the region's more diversified economies. However, the largest economies in Sub-Saharan Africa are likely to lag the regional growth average due to changing oil dynamics and depressed business confidence linked to corruption fallout. Growth in the region's two largest economies—Nigeria and South Africa (which account for two thirds of the region's population)—is expected to be anemic.
- The region faces several headwinds that limit potential, including entrenched poverty, pervasive corruption, heightened global trade tensions, inadequate infrastructure, an unstable security environment, and a vulnerability to natural disasters.
- The region's sovereign debt increased from a median 31% of GDP in 2013 to 56% in 2018. Given the region's development challenges, the pace of the increase is unsustainable.
- The African Continental Free Trade Agreement (AfCFTA) went into force in May 2019. AfCFTA seeks to bolster continental African trade by reducing tariffs by 90%, harmonizing trade rules, and establishing a single market for goods and labor.

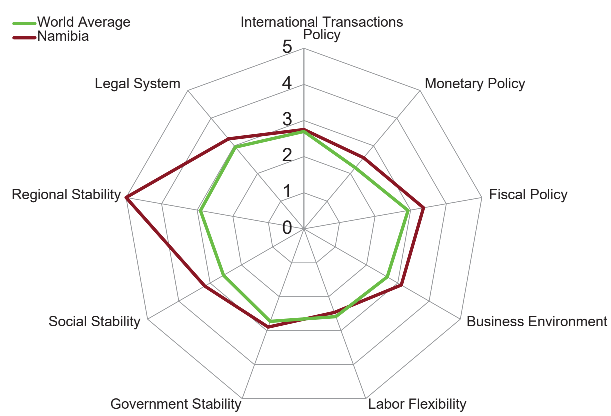
Economic Growth (%)



Source: IMF World Economic Outlook and AM Best

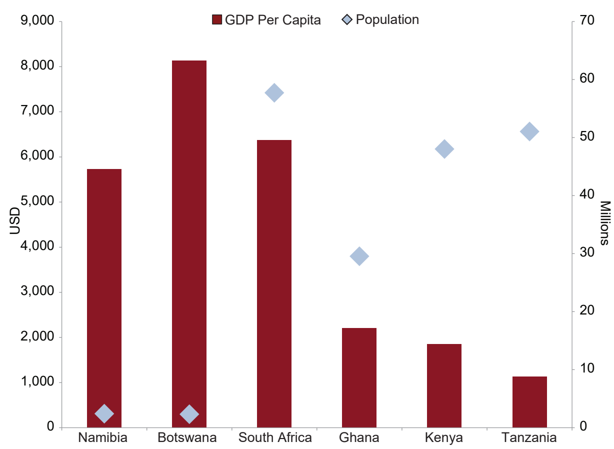
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: AM Best

GDP Per Capita and Population



Source: IMF and AM Best

Economic Risk: High

- Services account for the majority of Namibia's GDP. Agriculture, which only contributes around 6%, employs a significant percentage of the population in subsistence farming and is subject to adverse weather conditions. Drought is a serious challenge for the country with the World Bank estimating only 1% of Namibia's landmass to be arable.
- Diamonds are the country's chief export, accounting for 25% of total exports. Namibia is the world's fifth largest producer of uranium. The country's commodity focus makes it vulnerable to external headwinds such as the global economic slowdown and commodity price fluctuations.
- After gaining its independence from South Africa in 1990, Namibia has maintained close ties with the country. South Africa is a key trading partner for Namibia and approximately 80% of Namibia's foreign investment in sectors such as mining, insurance, and banking comes from South Africa.
- The country is a member of the South African Customs Union. Reforms to the union's revenue sharing agreement have been delayed and growth has been below projections as South Africa's, the union's largest member, economy faces challenges.

Political Risk: High

- Elections in Namibia are upcoming at the end of 2019. Since independence, Namibia's South West Africa People's Organization (SWAPO) has won the majority vote. SWAPO is expected to continue this trend and incumbent President Hage Geingob is projected to win reelection.
- The Namibian government has expressed the intention developing a land appropriation program; the program is intended to make land distribution more equitable in light of the country's history of apartheid. The government has stated that they will compensate landowners for the appropriated land. Land availability has been a source of civil discontent.

Financial System Risk: High

- The Namibia Financial Institutions Supervisory Authority is the regulator for the insurance industry in the country.
- Namibia's dollar is pegged to the South African rand. Namibia is a member of the Common Monetary Area, a monetary union between Namibia, South Africa, Lesotho, and Eswatini. Namibia's central bank is expected to cut interest rates in response to South Africa's monetary easing. However, inflation in Namibia has been on the rise, as international reserves have been under pressure.
- The IMF describes the financial sector as sound, and acknowledged the government's reform efforts.