



**MINISTERIAL STATEMENT
HONOURABLE IPUMBU SHIIMI
MINISTER OF FINANCE AND PUBLIC ENTERPRISES**

SOVEREIGN RATING ACTION BY MOODY'S INVESTOR SERVICES

04 JUNE 2024

Honourable Speaker, Honourable Members of Parliament,

1. I have the honour to brief this August House on the sovereign rating action by one of Namibia's rating agencies, Moody's Investor Services with affirmation of the sovereign credit rating at B1 and upgrade the outlook to positive from stable.
2. Namibia has subscribed to two credit rating agencies (Moody's Investors Service and Fitch Ratings) to provide for assurance and measurement of a government's ability to honour its debt obligation. Namibia signed up with Moody's Investors Service in 2011 when assigned an investment grade credit rating of Baa3 with a stable outlook on 22 September 2011, prior to the launch of Namibia's first Euro Bond in October 2011.
3. The investment grade rating reflected the government's track record of responsible financial management and maintenance of low public debt as well as an investor-friendly policy framework, reinforced by political and economic stability as well as steady economic growth prospects.

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4. As a small open economy that is highly dependent on the exportation of minerals. The highly volatile commodity prices are generally considered a risk to Namibia's revenue performance. Post 2016/2017 economic recession and the bust in the commodity price cycles, Namibia's economy weakened and the government debt, both domestic and foreign started rising, which led to the high cost of debt service.
5. These developments affected the trust and credibility of fiscal policy stance as public debt levels were deemed unsustainable, which led to the adjustment in the outlook to negative and eventually the first downgrade of Namibia's credit rating in August 2017 from Baa3 to Ba1. In the subsequent years until 2022, Namibia's credit rating came under pressure and continued on the downward path until April 2022 when the sovereign credit rating was downgraded to B1. The downgrade reflected the economy's reduced shock absorption capacity and the continued increase in the debt ratio to GDP at the time induced by the COVID-10 effects.

6. The government implemented the economic growth strategy and post-COVID-19 policy reforms to resuscitate economic activities and boost government revenue. The outcome of these policy initiatives is reflected in our growth and fiscal metrics as tabled in this August House in February 2024. The real GDP growth rebounded from a deep contraction in 2020, with an average growth rate of 4.4 percent during 2021-2023. Inflation has decelerated, with Headline CPI inflation of around 5.3 percent (y-o-y) in December 2023 and average 12-month inflation dropped below 6 percent, despite the food price component of inflation remaining persistently elevated.

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7. The revenue has also recovered, boosted primarily by institutional reforms undertaken that culminated in the creation of an autonomous revenue agency, NamRA, supported by the SACU revenue component, improving both fiscal and external buffers. The fiscal deficit narrowed to stabilize around 3.0 percent, providing room to further stabilize government debt stock, which is now around 60 percent of GDP and estimated to fall further, whilst expenditure decelerated from a high of around 38 percent to hover at the lower 30s, closer to revenue levels.
8. The concerted efforts of the government in ensuring fiscal sustainability and the economic recovery and development of new industries have borne formidable outcomes. These include promising oil and gas developments, in addition to investments in the renewable energy sector, which could have a potentially transformative impact on the Namibian economy over the next decade.
9. The government's policy initiatives are thus reflected in the positive outcome of Moody's recent assessment and review of Namibia's sovereign credit rating, where the rating agency retained Namibia's rating of B1, and upgraded the outlook to positive from stable. The positive outlook reflects Namibia's improved growth prospects supported not only by cyclical factors like higher commodity prices in a post-pandemic environment and renewed investments in the traditional mining industries but also by the prospect of significant new hydrocarbon and renewable energy resource developments.

Honourable Speaker, Honourable Members;

10.I would like to express my gratitude for your support and assistance in reaching this milestone and wish to continue this momentum to achieve better outcomes in the near future.

I thank you.