



Friedrich Ebert Stiftung – Namibia Economic  
Society

# Increasing Energy Prices and the Impact on the Namibian Economy

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## Increasing Oil Prices - Causes

- Increasing demand from emerging economies such as China and India
- Geopolitical uncertainties (Iran, Iraq, Nigeria, Venezuela, etc.)
- Speculation (hedge funds)
- Depreciation of US dollar
- But moreover: Supply reportedly peaking at 85 million barrel per day

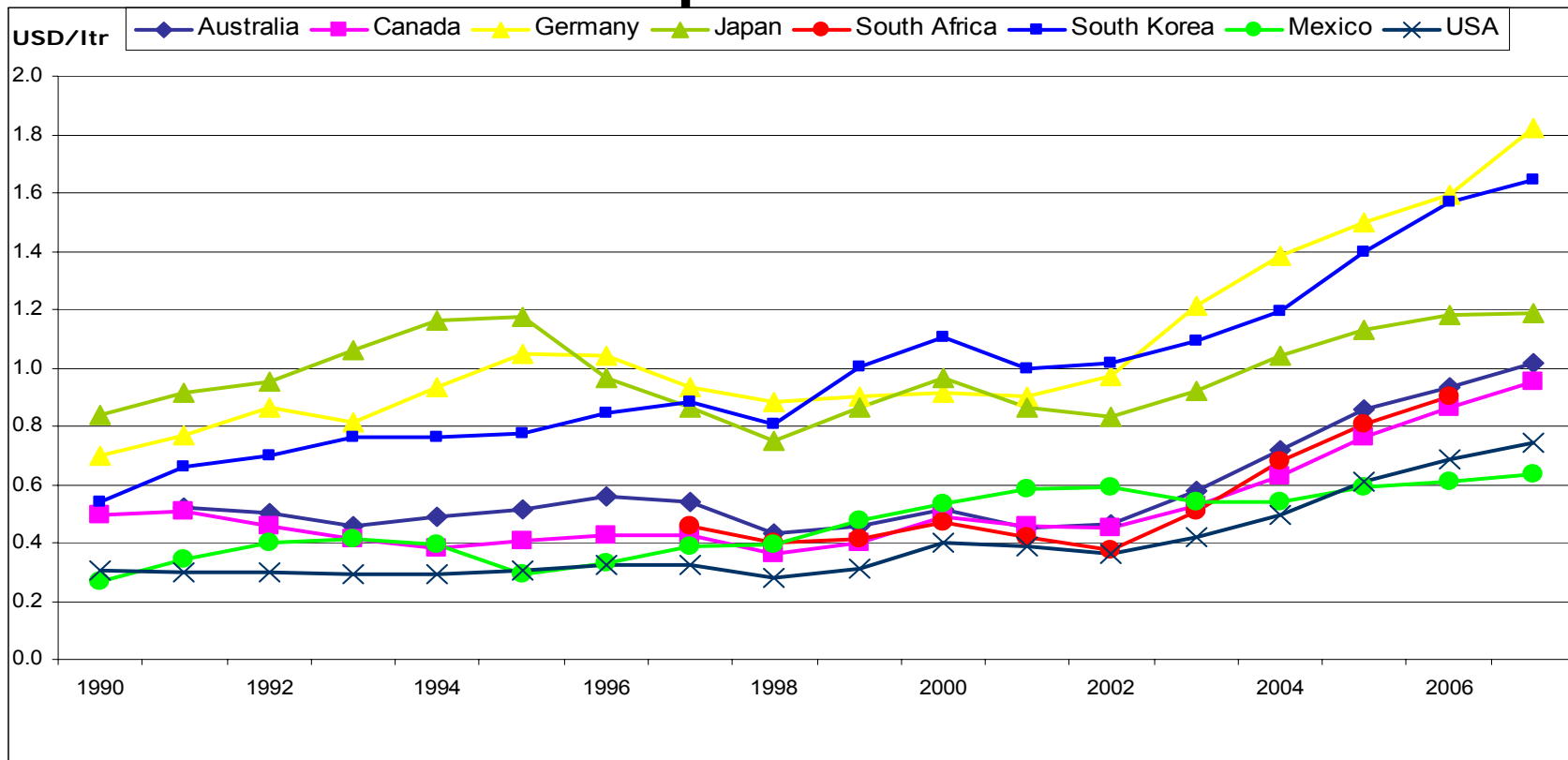


# Increasing Electricity Prices - Causes

- Insufficient investment in additional generation capacity in the past
- New investment require additional funds
- Relatively cheap coal will be replaced by more expensive inputs

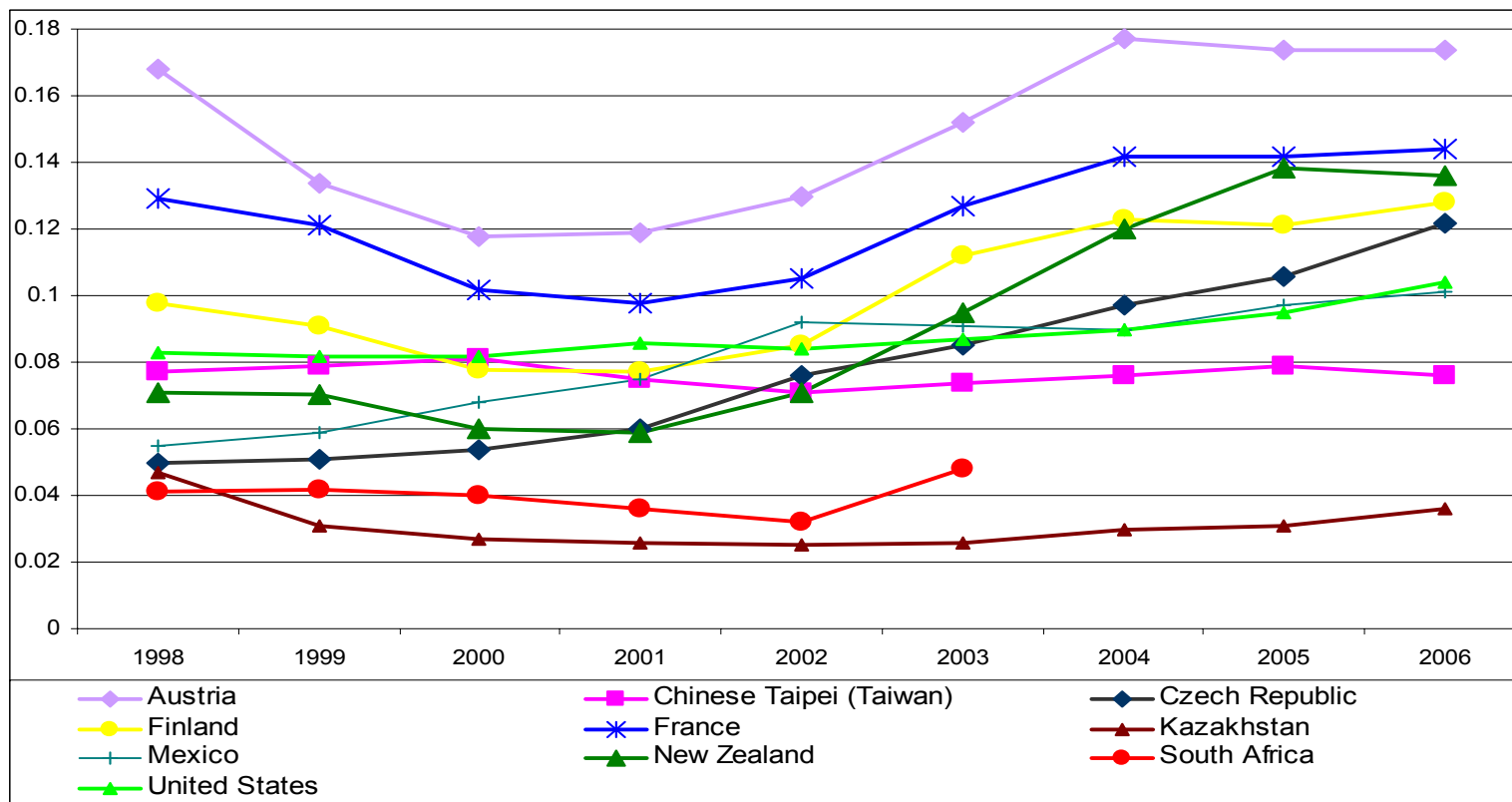


# International Comparison – Fuel prices





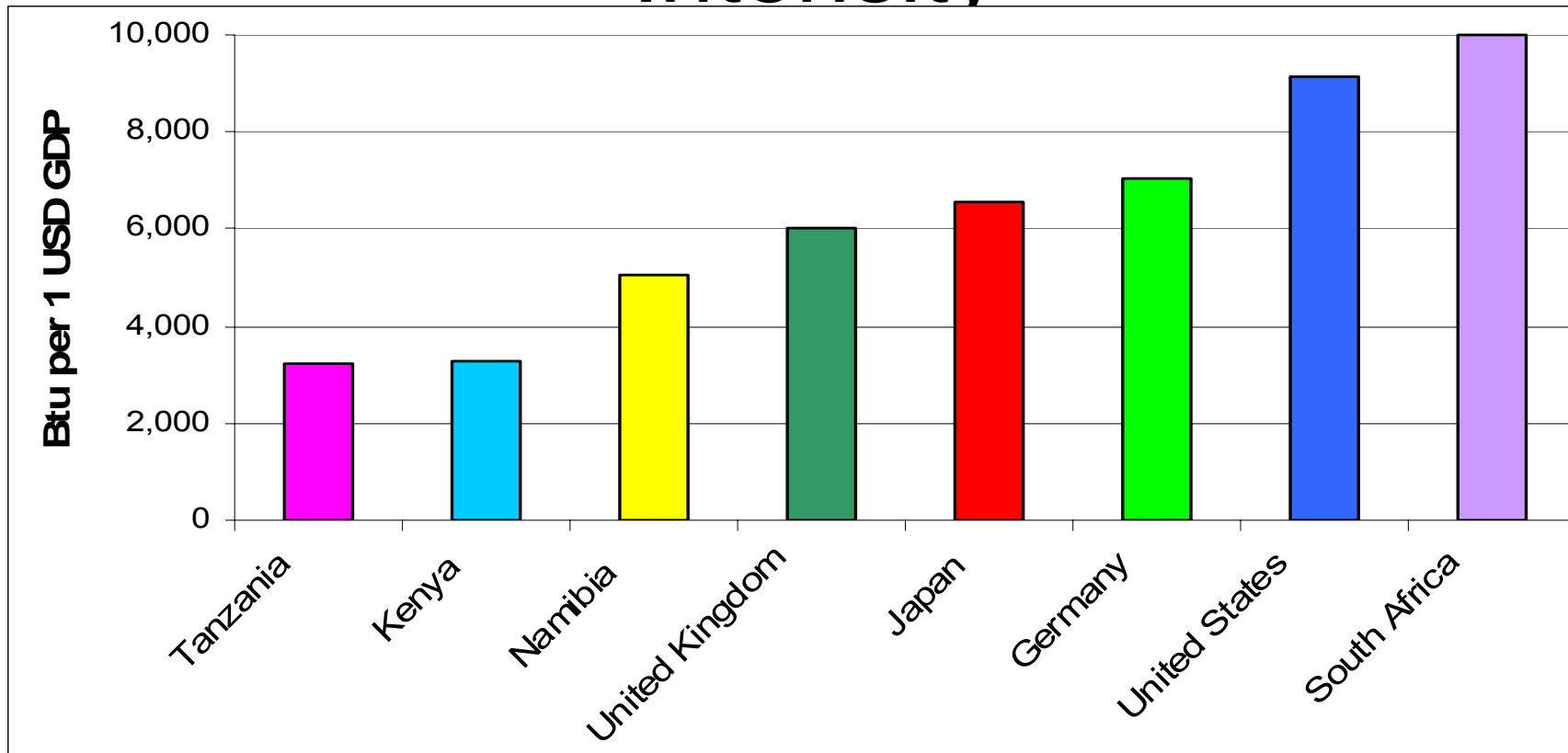
# International Comparison – Electricity Prices





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# International Comparison – Energy Intensity



# Conclusion

- Namibia / South Africa benefited from relative low energy prices so far
- Upward adjustments were unavoidable in any case
- Relatively high energy intensity suggests potential for increased energy efficiency
- ▶ Times of relatively cheap energy are gone

## Impacts on businesses

- Energy intensive sectors: Mining, fisheries, agriculture, transport services
- Production costs will increase resulting in either
  - Profit margins are declining, or
  - higher costs for goods and services from these sectors
- Companies can try to reduce other input costs - often labour
- Export-oriented companies might face stiffer competition on the world market even though most countries are affected by high energy costs
- ▶ Energy-efficiency provides for competitive edge

## Impacts on the consumer

- Increased costs for goods and services
- Employees in the formal sectors will most likely receive inflation-adjusted salary increments
- Informal sector employees, unemployed, old age pensioners and other vulnerable groups are left worse off
- ▶ Government could consider targeted interventions

# Economy-wide impacts

- Second round effect: Industries relying on inputs from directly affected sectors face higher input costs
- General price levels increase → rising inflation
- Central banks respond → Increase interest rates
  - ▶ Less disposable income for consumers
  - ▶ Investment could be postponed due to high interest rates
  - ▶ Less demand for goods and services – slowdown of economic growth



## Opportunities

- Agricultural sector – investment in energy crops (might impact on food production!)
- Investment in renewable energy
- Investment in energy efficiency technology
- ▶ Potential for new or expanding industries – employment creation, income generation



Thank you

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