

World Economic Crisis: Its Impact on SADC and Namibia

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Global economy from boom to bust

- From a sub-prime crisis in the US that changed the landscape of the banking sector...
- To a full-blown economic meltdown at the global level
 - US has been in recession since December 2007
 - Deepest global recession since WWII.
 - Japan's GDP dropped an unprecedented 13.7% in Q42008
 - Germany's GDP fell by 8% in Q42008.
 - China's exports fell 25% in Feb 2009
 - Brazil's GDP contracted 3.6% in the fourth quarter
 - India's exports contracted 16% In January
 - South Africa's GDP fell by 1.8% in Q42008, manufacturing in steep decline.

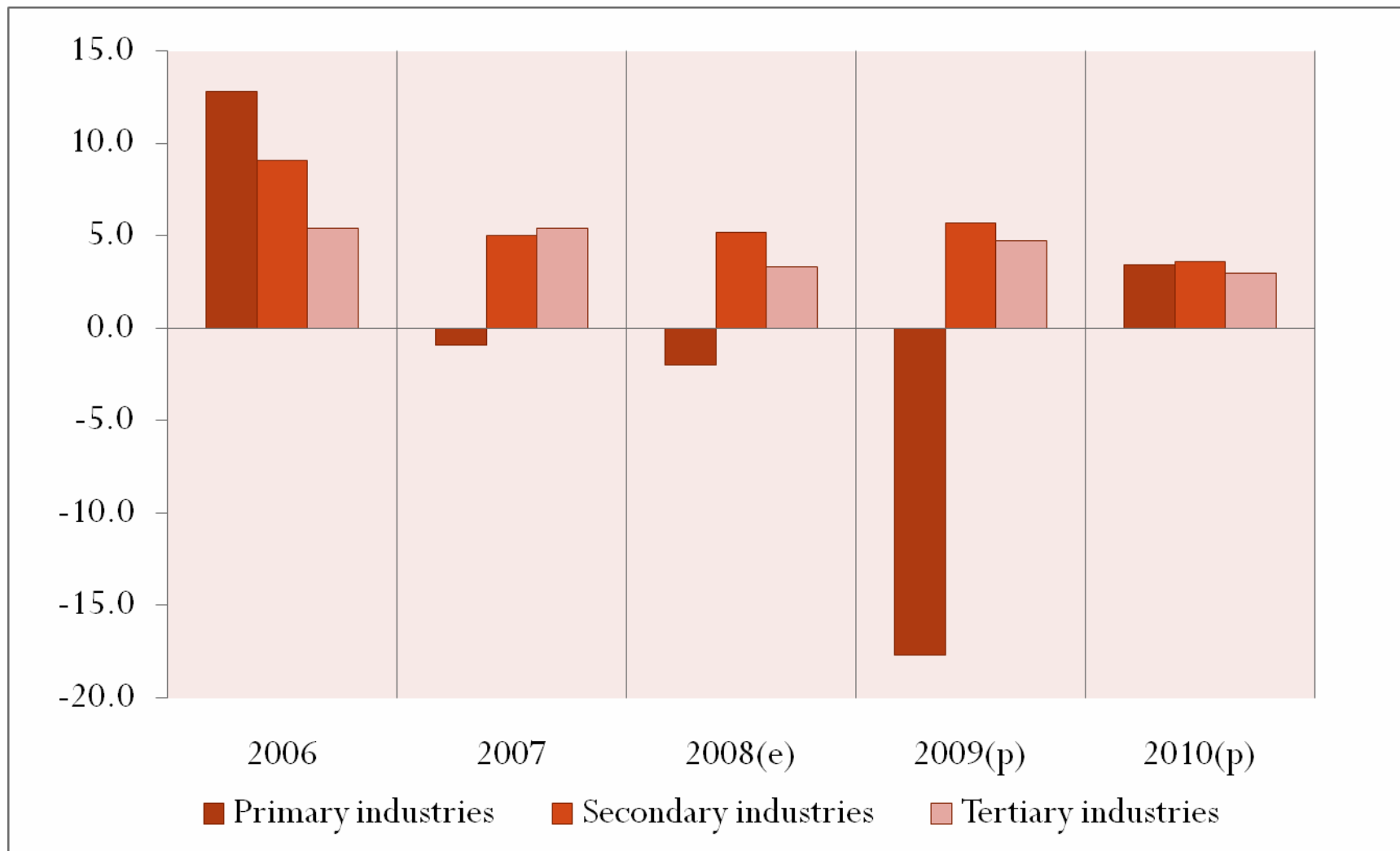
5 Stages of grief: Kubler-Ross Model

- Denial: “I feel fine”; “This can’t be happening, not to me”
- Anger: “Why me? It’s not fair!”; “Who is to blame?”
- Bargaining: “I’ll do anything for a few more years”; “I’ll give you my life savings if”
- Depression: “I’m so sad, why bother with anything?”; “I’m going to die...what’s the point?”
- Acceptance: “I can’t fight it, I might as well prepare for it.”

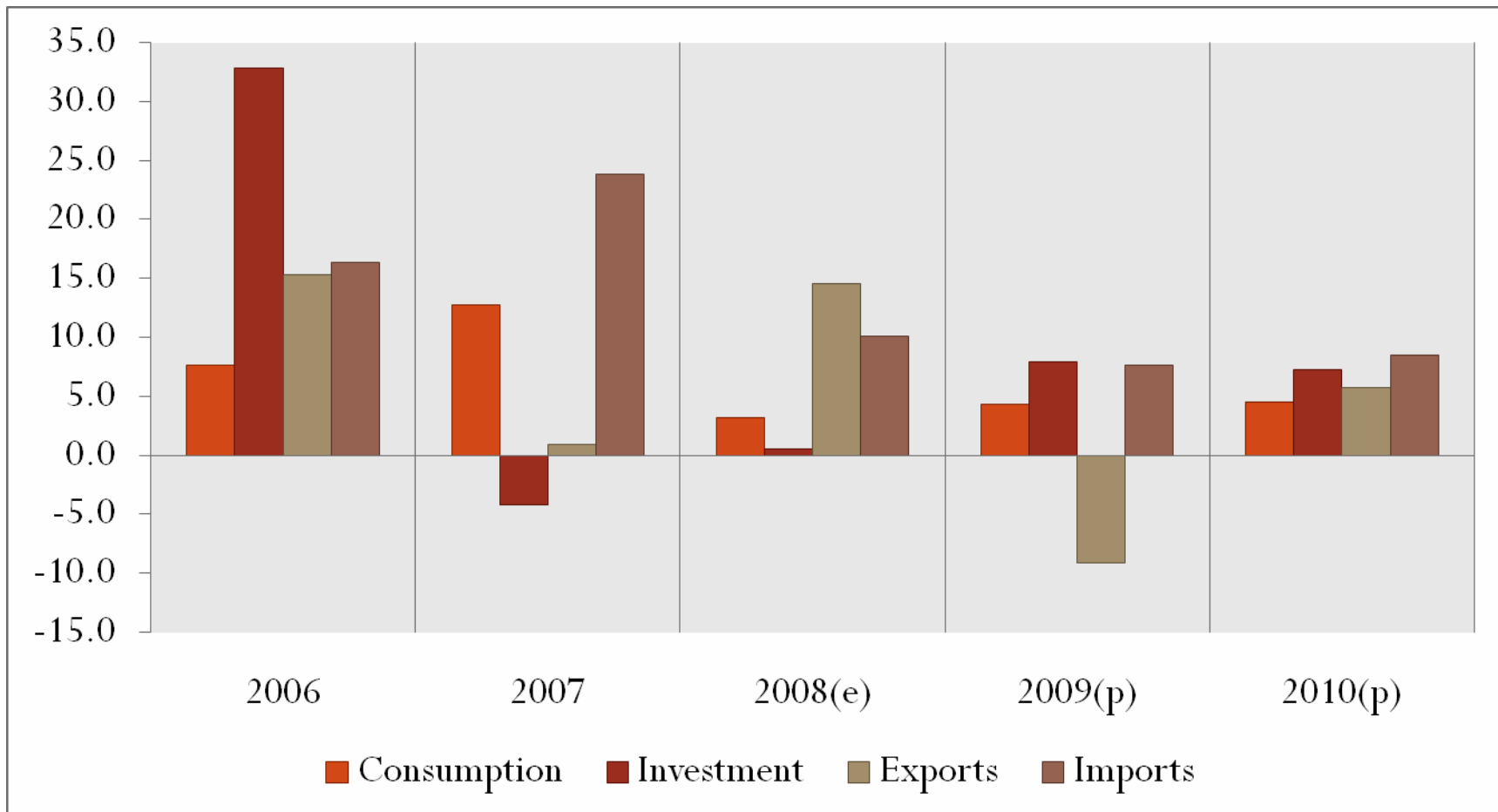
Transmission channels

- **Financial sector collapse.** The ADB estimates that the value of financial assets and holdings of foreign currencies dropped by some \$50 trillion during 2008, equivalent to a year of world gross product.
- **Capital flows drying up**
 - Cap flows to EMEs expected to fall from US\$1 trillion in 2007 to US\$165 billion in 2009
 - Shortfall of US\$270-700 billion shortfall in capital flows to developing nations as a result of the crisis.
- **Demand for manufactured goods has plummeted**
- **Demand for and price of commodities has fallen sharply, leading to lower growth and stresses on the budget and current account**

The primary sector will be worse hit by the global economic crisis



From the expenditure side, exports is expected to decline significantly in 2009



Responding to the crisis

- Namibia entered crisis with sound macro fundamentals. Although growth has been low, the following positive aspects are worth noting:
 - Fiscal consolidation, and low public debt,
 - Current account surpluses supported reserves accumulation
 - Monetary policy discipline supported by the currency peg
 - Well-regulated banking sector with limited exposure to foreign borrowing
- Countercyclical fiscal policy
 - Sharp decline in revenues
 - Expansion of public works and social protection programs.
 - Large infrastructure investment
- Monetary loosening

Crisis as an opportunity

- Crisis as opportunity to address long-term challenges
 - Economic diversification through a more competitive business environment
 - Job creation
 - Tackling inequality
 - Ensuring fiscal sustainability. Double threat of declining revenues from commodity exports and SACU revenues may not last