



CONSTRUCTION NEWSLETTER



## FISCAL BUDGET FOR THE 2024/25 FINANCIAL YEAR TABLED

The Minister of Finance and Public Enterprises, Mr Ipumbu Shiimi presented a significant budget of N\$100.1 billion for the financial year 2024/2025.

Shiimi emphasised that the total budget has surged by 12.4 % compared to the previous year's estimates.

With regards to economic, fiscal, and financial context, the global economy continues to show resilience in the face of significant adverse risks that prevailed since the onset of the global pandemic. In the World Economic Outlook (WEO) update released in January 2024, the International Monetary Fund (IMF) estimates global growth to remain steady at 3.1 percent in 2023 and 2024 before increasing marginally to 3.2 percent in 2025. Global growth remains below the historical average, weighed down by elevated interest rates to curb inflationary pressures, low productivity as well as limited fiscal support due to high debt levels.

On the commodity prices front, international fuel and nonfuel commodity prices are projected to trend downwards during 2024 in line with subdued global demand. Nonetheless, significant downside risks remain, further heightened by the continued geopolitics in the Red Sea region with risk of generating fresh adverse supply shocks to the global economic recovery.

For the domestic economy, muted commodity prices present a significant risk for domestic production and export earnings, particularly for the diamond subsector. Nevertheless, on the upside, falling international commodity prices translate into reduced domestic price pressures, going forward.

On the regional front, economic activities in the sub-Saharan Africa region are estimated to remain steady,

with growth projected to gradually increase from 3.3 percent in 2023 to 3.8 percent in 2024 and 4.1 percent in 2025. The growth prospects for the region largely reflect easing supply side constraints, resilient domestic demand, and the subsiding impact of negative weather shocks.

Nevertheless, the strong economic activities largely reflect recovery in the traditional engines of domestic growth, particularly the mining sector which is highly capital intensive. As such, the projected economic recovery is not expected to address the pervasive and entrenched national challenges such as high unemployment, poverty, and income inequalities.

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Consequently, the urgency to diversify the economy remains a key cornerstone of Namibia's fiscal and economic policy framework moving forward.

This budget makes specific provisions for infrastructure development to close infrastructure gaps and give greater impetus to Namibia's economic growth objectives. In this regard, a total of N\$20.9 billion in FY2024/25 and some N\$58.9 billion over the medium term expenditure framework (MTEF), inclusive of projects funded through external loans, has been allocated to the sector ministries responsible for carrying out the construction of infrastructure and implementation of economic policies. Collectively, these make up 23.9 percent of the total budget.

During the FY2024/25, transport will receive a total of N\$5.1 billion, including N\$1.9 billion in project financed through external loans and grants. In addition to fast-tracking the upgrading of the railway network, this allocation also caters for N\$1.8 billion for the completion of ongoing road construction projects. Regarding, airport infrastructure, an allocation of N\$431.0 million has been made for FY2024/25. Over the MTEF, the vote will receive N\$14.5 billion.

In support of SMEs and domestic economic activities, the ministry increased the budget of the Ministry of Industrialisation and Trade by 31.7 percent to N\$365.5 million in FY2024/25 and a total of N\$1.2 billion over the MTEF. In this context, funding has been allocated to the Equipment Aid Scheme, Start-Up Namibia and EMPRETEC Namibia to facilitate domestic trade activities and build domestic entrepreneurship capacity especially for SMEs. Furthermore, the ministry have made financial provision for increased funding to the Namibia Standards Institute (NSI) and the Namibia Competition Commission (NaCC) as well as an increase in the development budget for various capital projects to support entrepreneurial activities nationwide.

The Ministry of Finance and Public Enterprises has been allocated a budget of N\$8.1 billion in FY2024/25, including N\$3.0 billion for the Public Servants Medical Aid Scheme (PSEMAS) and more than N\$700 million in transfers to public enterprises. A total of N\$212.0 million has been budgeted for the Meat Corporation of Namibia (MeatCo), inclusive of the settlement of their contingent liabilities. Meanwhile, N\$300 million has been provided for TransNamib to support their day-to-day operations cognisant of significant infrastructure and operational challenges. N\$88 million has been allocated for the completion of the Luderitz Waterfront project. Furthermore, N\$77.0 million was availed to Agribank for a dedicated subsidy program to support farmers whose operations have been adversely affected by drought conditions.

Source: *Namibia FY2024/25 Budget Statement*

## REPO RATE MAINTAINED AT 7.75 PERCENT

On the 12th and 13th of February 2024, the Monetary Policy Committee (MPC) of the Bank of Namibia held its first bi-monthly meeting for 2024 to decide on the appropriate monetary policy stance to be implemented over the next two months. To continue safeguarding the peg between the Namibia Dollar and the South African Rand while supporting the domestic economy, the MPC decided to keep the Repo rate unchanged at 7.75 percent. This decision was taken following a comprehensive review of domestic, regional and global economic developments.

Source: *Bank of Namibia*



## NIEC TO EXPLORE BASIN ORANGE BASIN PROSPECTS

Namibia expects to produce the first oil by 2030, with development plans underway for the eight discoveries made in the Orange Basin since 2022. This string of upstream success will not only create new opportunities for job creation, industrialization, and long-term economic growth but has demonstrated the lucrative potential of offshore oil in southern Africa.

Namibia's recent upstream success and future investment opportunities will be a key focus during the Namibia International Energy Conference (NIEC) – taking place from 23 - 25 April 2024 in Windhoek. Movers and shakers from across the global and Namibia energy sectors will convene to discuss pathways to unlocking the full potential of the Orange Basin while drawing attention to emerging opportunities in surrounding fields.

NIEC is an influential event that brings together policymakers, energy stakeholders, investors, and international partners to foster industry growth. Now in its sixth edition, the event takes place in partnership with the African Energy Chamber and serves to highlight Namibia's position as a prime investment decision. Visit [www.NIEConference.com](http://www.NIEConference.com) for more information.

Source: <https://economist.com/na/86068/special-focus/namibia-international-energy-conference-to-explore-orange-basin-prospects/>



## OVER 200 000 HOUSES ENVISAGED FOR CONSTRUCTION FROM 2024

The recently revised National Housing Policy and Implementation Action Plan amongst others provides for the acceleration of the servicing of 340 000 new plots and construction of over 200 000 houses over the next five years. The policy, which was approved by Cabinet in November 2023, also approves the scaling up and upgrading of at least 60 per cent of existing informal settlements across the country between 2024 and 2029.

This was revealed by President Hage Geingob at Swakopmund on 14th of December 2023 during the handover of 89 completed houses built under the Mass Housing Development Programme (MHDP). According to the president this is part of government's efforts towards scaling up the delivery of serviced land and housing, as well as his declaration of an emergency due to the poor living conditions of people who reside in informal settlements.

'In this Year of Revival, we have managed to accomplish quite a lot, notwithstanding our economic realities, but one thing for sure is no matter what challenges we have faced, are facing and may face in the future, government continues to commit itself to the provision of decent and affordable houses and serviced land to the citizens of. As Namibians, we have proven on multiple occasions that when we forge alliances across all social groups, across all sectors of our economy, across the entire spectrum of our governance architecture, no challenge is insurmountable', Geingob noted.

Urban and Rural Development Minister, Erastus Uutoni, revealed that 4 238 houses have been completed countrywide so far since the inception of MHDP in 2014. 'This particular site on which we are today is comprised of 319 units with the completion of 200 to date, while the remaining 119 are expected to be completed in April 2024', Uutoni stated.

Sara Tsaes spoke on behalf of the beneficiaries, expressing their excitement at finally being homeowners and noting that most of them have been on the housing waiting list for over 10 years. 'I am particularly pleased to have been able to buy this house, especially on behalf of my child who is living with a disability. I am also very happy that the house was constructed to suit his needs,' Tsaes said.

Source: <https://www.namibianewsdigest.com/over-200-000-houses-envisaged-for-construction-from-2024/>

## RENTAL MARKET FLOURISHES AMID HIGH PRICES

The rental market in Namibia has continued to flourish amid high prices, as individuals opt for prolonged rentals over property purchases due to elevated interest rates and affordability constraints in the first three quarters of 2023.

According to First National Bank (FNB) Namibia economist Ruusa Nandago, there was a significant decline of 27,7% in house price transaction volumes in the third quarter of 2023.

"The decision by individuals to delay the purchasing of properties and rent for longer will continue to support the rental market".



"These dynamics may explain why the resilience is mostly observed in the three-bedroom and more than three-bedroom segments, rather than in the lower bedroom segments. Moving forward, we expect the rental market to remain fairly stable as inflation starts to moderate and the repo rate remains at its peak of 7,75%, with a shallow cutting cycle through to 2026", said Nandago.

The adjustments in loan-to-value ratios, effective from 31 October 2023, are anticipated to incentivise investments in residential property, potentially increasing the supply of rental property.

After exiting contractionary territory in March 2023, the FNB rent price index remained positive for two consecutive quarters, reaching a 12-month average of 4,7% in the third quarter.

The average rent price on a 12-month rolling basis stood at N\$7 177. "The three-bedroom and more than three-bedroom segments grew by 4,0% and 9,2%, respectively, while the one and two-bedroom segments contracted by 4,6% and 9% during the third quarter."

Average rent prices for different segments were recorded as N\$3 483 for one-bedroom flats, N\$5 443 for two-bedroom apartments, N\$9 907 for three-bedroom homes and N\$22 703 for houses with more than three bedrooms. The index highlighted that residential rental listings totaled 1 725 units in the third quarter of 2023, down from 2 143 listings in the second quarter.

The one-bedroom segment constituted 53% of residential rental listings, with two-bedroom, three-bedroom and more than three-bedroom segments sharing at 31%, 14%, and 3%, respectively.

Notably, the coastal area recorded the highest growth at 14,4%, while the central, northern and southern regions had growth rates of -1,1%, 0,8% and 7,3%, respectively.

Source: <https://namibian.com.na/rental-market-flourishes-amid-high-prices/>

## NAMPORT INVESTMENTS AIM TO BOOST REGIONAL GROWTH

The Namibian Ports Authority (Namport) plans to invest N\$30 million in 2024 to expand the Walvis Bay Port's entrance gate to five lanes from the current two lanes.

This, according to a Namport spokesperson, will significantly improve the flow of goods into the world-class harbour, which has already announced key infrastructure expansion that includes new berths and quay walls.

These and other developments aim to enhance Namibia's international trade, and as a result drive regional economic growth. Namport's infrastructure focus is in anticipation of increased traffic stemming from recent oil discoveries off the Namibian coast, as well as the country's green hydrogen ambitions which would entail an increase of energy-based exports such as ammonia.

Source: <https://neweralive.na/posts/namport-investments-aim-to-boost-regional-growth>



## AFRICAN ENERGY CHAMBER LAUNCHES NAMIBIA TRADE MISSION

The African Energy Chamber (AEC), serving as the voice of the African energy sector has launched a Trade Mission to Namibia from 23-25 April to promote business opportunities within the country's energy industry. In collaboration with the Namibia International Energy Conference (NIEC), the Trade Mission will facilitate engagement between companies; and connect stakeholders to market intelligence and resources; while capitalising on the conference offerings to drive new investment into the country.

Namibia expects to produce the first oil from the Orange Basin by 2030 as well as 10-12 million tons of green hydrogen

equivalent by 2050.

A commitment to accelerate the development of the Graff-1 and Venus-1 discoveries – made in 2022 by energy majors TotalEnergies and Shell – is also underway in tandem with further off- and onshore drilling campaigns. The government is working to establish effective petroleum revenue management legislation while placing focus on local content, thereby opening lucrative business opportunities for both Namibian and international energy players. The Namibian Trade Mission, in collaboration with NIEC 2024, connects potential investors with Namibian opportunities.

NIEC is an influential event that brings together policymakers, energy stakeholders, investors, and international partners to foster industry growth. Now in its sixth edition, the event serves to highlight Namibia's position as a prime investment decision. The event takes place in partnership with the AEC.

The Namibian Trade Mission presents numerous offerings for participants. These include site visits to prominent energy companies in Windhoek.

Source: <https://energychamber.org/aec-launches-namibia-trade-mission-in-collaboration-with-niec-2024/>



## LOCAL AUTHORITIES UNION TO ADDRESS UNFAIR LABOUR PRACTICES

The Namibia Local Authority Workers Union (Nalawu) says the well-being and job security of workers will be its priorities in year 2024.

Nalawu secretary general Chris Katjitundu said in a statement released on Thursday, 18th January 2024 that his trade union is concerned about pushback from supervisors who allegedly victimise employees who are union members.

“We have noticed with great concern how workers [are] victimised when joining labour movements by their superiors. The workers are at all cost facing unfair labour practices, and these malpractices only happen after it is realised that you joined labour movements”, he said.

Source:

<https://theconversation.com/jobs-in-south-africa-the-labour-market-is-recovering-from-covid-but-unskilled-and-less-educated-people-are-still-being-left-behind-221136>

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## .JOBS IN SOUTH AFRICA: THE LABOUR MARKET IS RECOVERING FROM COVID – BUT UNSKILLED AND LESS EDUCATED PEOPLE ARE STILL BEING LEFT BEHIND

For more than three decades the South African economy has had very high rates of joblessness. The country's economy has been unable to create enough jobs for its growing army of workers. This has partly been because of the stagnant economic growth rate of only 1.7% during the 2010s (it was even lower at 0.9% in 2015-2019).

Another factor that limited the economy's capacity to create jobs at a rapid enough pace to absorb new job seekers and previously employed people was the impact of restrictions imposed during the coronavirus (COVID-19) pandemic. Compared with the global financial crisis of 2008/2009 the impact

was much greater. Then about 600,000 jobs were lost in South Africa. During the COVID restrictions there were a staggering 1.5 million job losses.

The study found that the employment number (as per 2023 third quarter data) had recovered to its pre-pandemic levels. However most of the gains from the recovery had gone to semi-skilled and skilled workers, leaving out the unskilled and those without 12 years of schooling, who make up more than 40% of the labour force.

The findings show that the South African labour market has moved on from its worst ever state, and that various aspects have been gradually improving.

However, two worrying – yet expected – findings are that unemployment levels remained high while most of the job gains post-COVID went to highly skilled and highly educated people. The long-term challenge is how relatively less skilled and less educated people (some of whom suffered job losses during the lockdown period) can find work again (through greater promotion of informal entrepreneurial activities, for example).

Source:

<https://theconversation.com/jobs-in-south-africa-the-labour-market-is-recovering-from-covid-but-unskilled-and-less-educated-people-are-still-being-left-behind>



## SOUTH AFRICA: PROPOSED REFORMS TO PPP FRAMEWORK TO ACCELERATE INFRASTRUCTURE DELIVERY WELCOMED

There has been positive, albeit cautious, reaction to the reforms announced by Finance Minister Enoch Godongwana to improve infrastructure financing and delivery and attract private sector participation.

In his budget speech, the minister highlighted amendments to the public-private partnership (PPP) regulatory framework,

“The amendments seek to reduce the procedural complexity of undertaking PPPs, create capacity to support and manage PPPs, formulate clear rules for managing unsolicited bids, and strengthen the governance of fiscal risk”.

It was also confirmed that, in 2024/25, an infrastructure finance and implementation support agency would be established to coordinate the planning and preparation of large projects.

The agency would incorporate the functions of project preparation, PPP technical support and data management, and departments, as well as public entities and municipalities would be able to use its services to prepare, plan and execute projects.

A document released as an annexure to the budget review also indicated that legislative amendments would be proposed later in the year to create two pathways for PPPs: one for high-value projects and a simplified version for projects valued below R2-billion.

Consulting Engineers South Africa recognise the importance of government spending on infrastructure as a catalyst for economic growth and job creation.

Source:

<https://www.engineeringnews.co.za/article/proposed-reforms-to-ppp-framework-to-accelerate-infrastructure-delivery-welcomed-2024-02-22>



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## OPEC SEES STRONG OIL DEMAND GROWTH IN 2024

The Organization of the Petroleum Exporting Countries (OPEC) oil cartel on Tuesday, 13 February 2024 said that it expects robust economic activity in China and air travel to drive strong global demand growth for oil this year. Its outlook contrasts that of the International Energy Agency (IEA), which advises oil-consuming nations, which in January 2024 predicted that oil demand growth would halve on economic headwinds.

OPEC estimated global oil demand will grow by 2.2 million barrels per day (bpd) in 2024, whereas the IEA projected demand growth would decrease to 1.2 million bpd.

“This is reflecting the robust economic growth expected this year”, OPEC said in its monthly report. Continued robust economic activity in China, global air travel recovery, and expected healthy petrochemical feedstock requirements will be key for oil demand growth in 2024”, the report reads.

Meanwhile, the IEA sees a lacklustre global economy, along with tighter fuel efficiency standards and growth in electric vehicles, as limiting growth in demand for oil.

Source: <https://www.approachpersonnel.co.uk/blog/12-uk-construction-industry-growth-forecast-in-2024>



## SOUTH AFRICA CONSTRUCTION MARKET SIZE, TREND ANALYSIS AND FORECAST 2023-2027: CONSTRUCTION INDUSTRY OUTPUT FORECAST TO GROW BY 1.9% IN 2024

The South African construction industry was expected to grow by 2% in real terms in 2023, following a 3.4% annual decline in 2022, aided by an increase in transportation developments and the execution of renewable energy projects, with the infrastructure construction sector expected to grow by 3.3% and the energy and utilities construction sector expected to grow by 2.7% in 2023.

In April 2023, the South African National Roads Agency SOC Limited (SANRAL) awarded 323 road and highway tenders in the Financial Year (FY) 2022-23, with a total value of ZAR59 billion (\$3.5 billion), a 168.2% increase over FY2021-22.

The South African construction industry's output is expected to grow by 1.9% in 2024, before recording an annual average rate of 3.6% between 2025 and 2027, supported by the developments of transport, energy, industrial and housing projects.

The report provides detailed market analysis, information and insights into the South African construction industry, including:

- The South African construction industry's growth prospects by market, project type and construction activity.
- Historical (2018-2022) and forecast (2023-2027) valuations of the construction industry in South Africa.

Source: <https://www.engineeringnews.co.za/article/buildings-construction-sector-requires-two-pronged-approach-to-decarbonise-report-2023-08-23>

## 12% UK CONSTRUCTION INDUSTRY GROWTH FORECAST IN 2024

Construction insights company, Glenigan, has predicted an industry increase of 12% in the UK in 2024 and 3% in 2025. Following a relatively shaky couple of years in the UK due to stalled economic growth and higher interest rates, this report is welcomed as a positive projection for the construction industry.

The UK Construction Industry Forecast predicts the state of the industry for the next three years (2023-2025). Despite the recent industry struggles due to material and labour supply shortages, it states that a strengthening in project-starts is expected at the start of 2024 as UK economic growth is expected to return. This will be supported by a pick-up in household spending and greater business investments, according to the report.

Also highlighted is that the delivery of existing and planned major capital projects will also have a significant influence on industry activity over the forecast period. In particular, the decision to delay HS2 construction will ultimately reduce its contribution to sector workload during this time, according to the report.

According to Glenigan, the supply-side disruptions are now also easing. Whilst material costs remain high, it claims that greater price stability in the coming months will provide clients and contractors with more certainty when costing and planning projects during the forecast period. It is great to see some hope emerging in the wake of some rocky months for those within construction. Structural changes are expected to create new opportunities in logistics, office and retail refurbishment and fit out, and the repurposing of redundant commercial premises.

Source: <https://www.approachpersonnel.co.uk/blog/12-uk-construction-industry-growth-forecast-in-2024>

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