

BANK OF NAMIBIA 2022 ANNUAL REPORT LAUNCH

***Global Economic Shocks: Rewiring
Namibia to Bolster
Resilience***

29 March 2023



I. Macroeconomic Review in 2022

II. Banking Supervision

III. Financial Performance

VI. Conclusion

The 2022 Annual Report



2022 Annual Report

- The Annual Report of the BON covers the period 1 Jan 2022 to 31 December 2022
- The Report communicates the Bank's operations and activities to all its stakeholders
- Additionally, the Report contains information on:
 - Governance and stakeholder highlights for the year
 - Strategic focus areas
 - Macroeconomic review and
 - Developments in banking supervision
 - An overview of the Bank's financials
- The report also contains a theme chapter as well as two box articles on:
 - **Theme Chapter:** *Global economic shocks: Repositioning Namibia to cope with adverse effects*
 - **Box 1:** *Policy issues emanating from the Bank of Namibia's 23rd Annual Symposium*
 - **Box 2:** *Expanding Namibia's monetary and financial statistics with the addition of the M3 monetary aggregate*



Macroeconomic Review in 2022



Global economic growth slowed in 2022 while inflation rose resulting in tight financial conditions



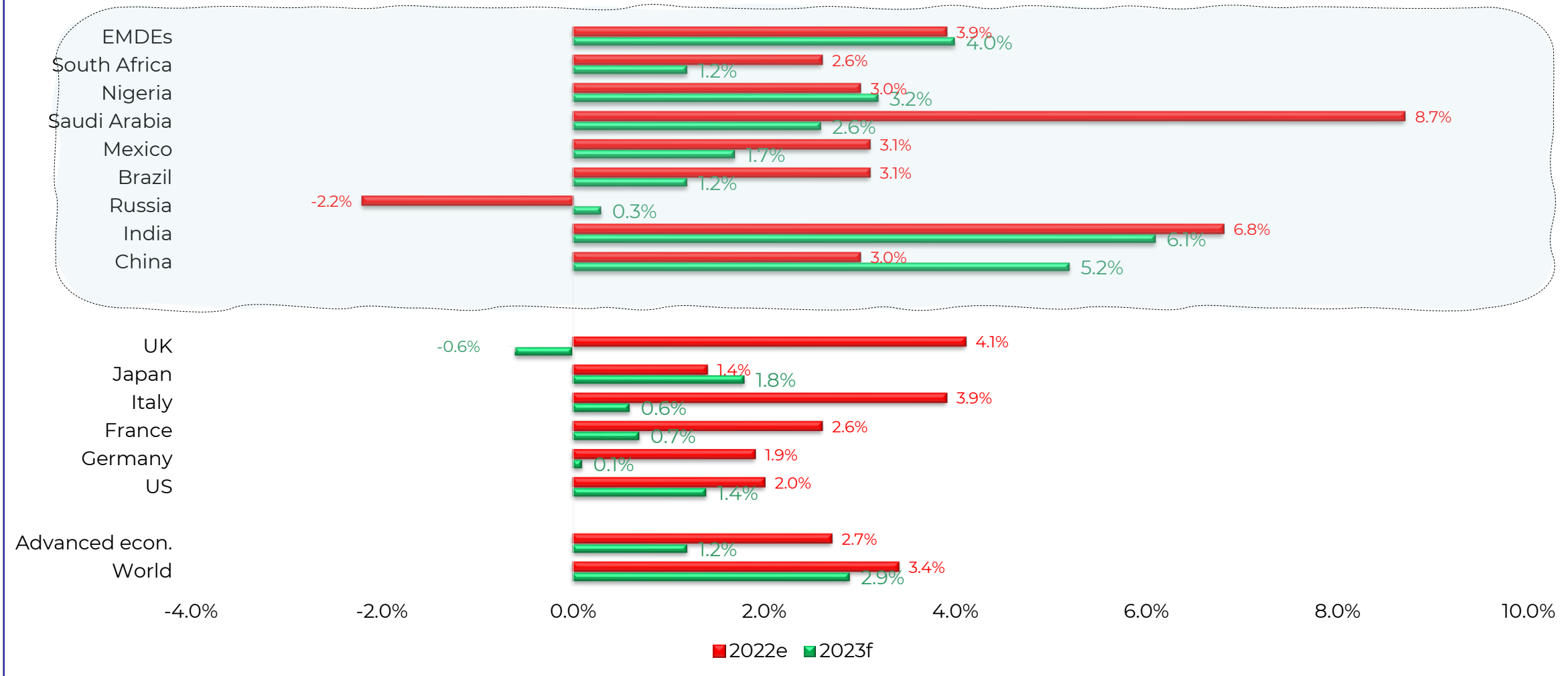
	GDP		Inflation		Policy		PMI		IP	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
US	6.1	2.1	4.7	8.0	0.25	4.50	57.7	49.8	5.6	4.0
UK	8.5	4.2	2.6	9.1	0.25	3.50	57.9	49.5	4.7	-2.9
EU	5.6	3.5	2.6	8.4	0.00	2.50	58.0	55.5	8.3	1.2
Japan	2.0	1.3	-0.1	2.4	-0.10	-0.10	54.3	50.9	6.4	0.0
Brazil	5.2	2.9	8.3	9.4	9.25	13.75	44.2	48.4	5.3	-0.8
Russia	4.8	-1.5	6.7	13.8	8.50	7.50	53.0	52.6	5.6	0.0
India	8.9	7.0	5.2	6.7	4.00	6.25	57.8	55.4	19.3	4.7
China	8.8	3.0	0.9	2.0	3.80	3.65	49.0	49.2	11.5	3.7
SA	5.5	2.0	4.6	6.9	3.75	7.00	53.1	53.0	10.3	-0.3

* Source: Trading Economics & Markit

Global GDP is expected to slow further down in 2023



WEO GDP Growth estimates & forecasts



Source: IMF, Jan 2023

Risks to Global outlook

Downside risks confronting global growth

1

Prolonging of the war in Ukraine

2

Tight labour markets in major advanced economies are likely to keep inflation intractable

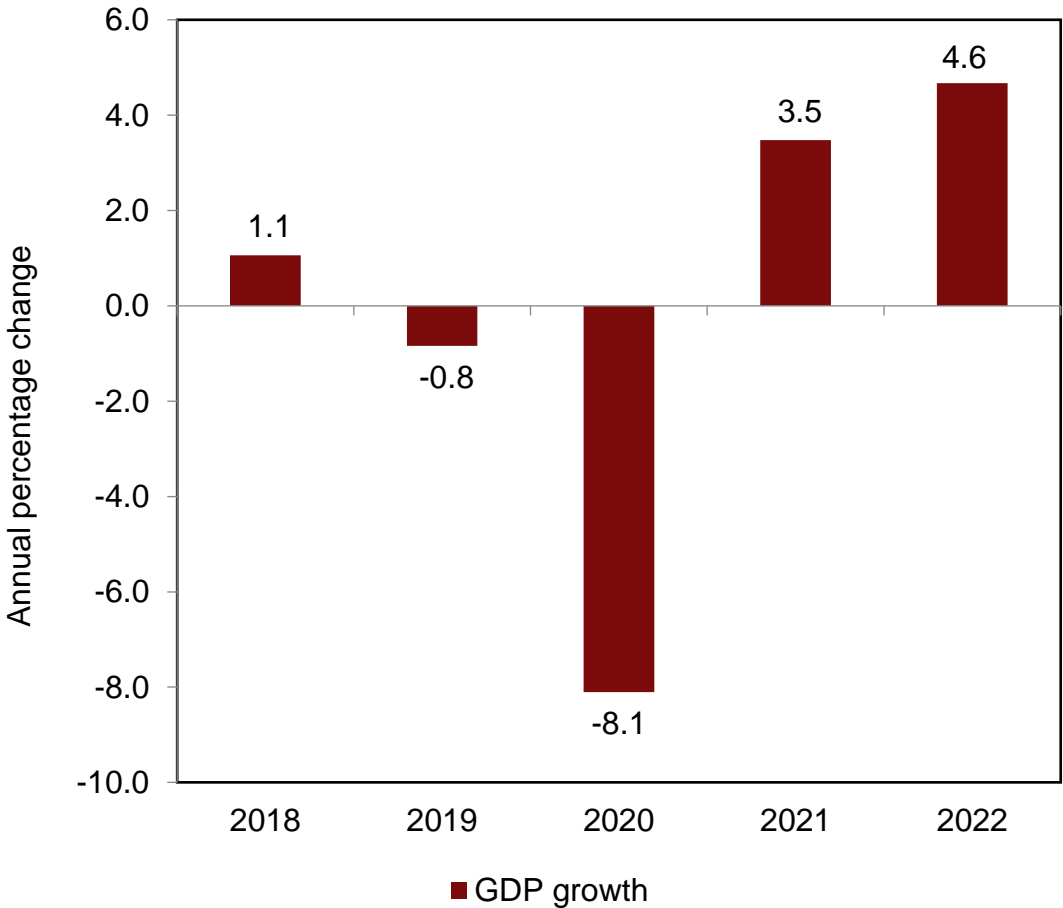
3

High interest rates are expected to adversely affect the financial system.

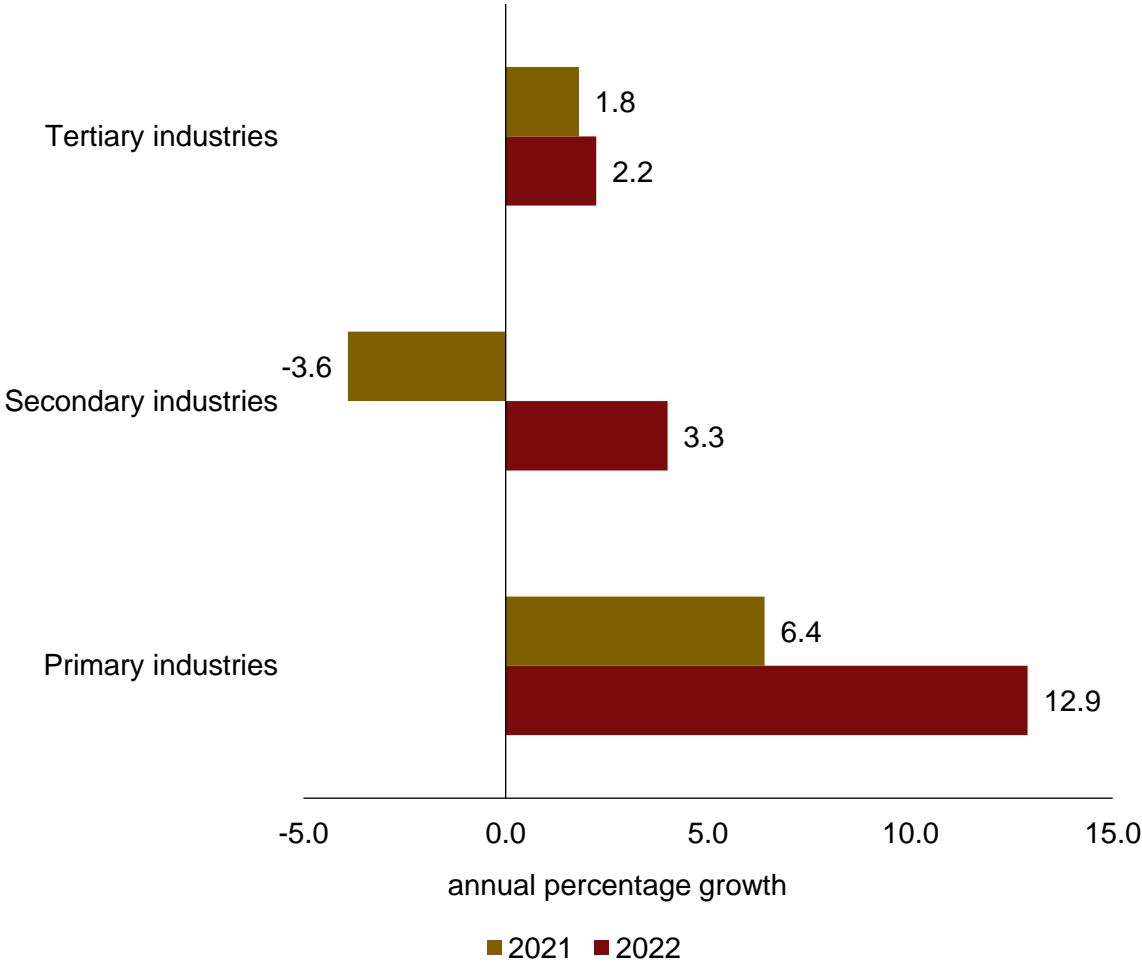
The domestic economy built up further growth momentum during 2022



Real GDP Growth



Growth by Industry



Domestic economy outlook and key risks



Going forward, domestic growth is estimated to moderate downwards to 3.0% and 2.9% in 2023 and 2024, respectively, largely due to weaker global demand.

Some of the key risks to the outlook

**Monetary policy
tightening
globally**

**Water
supply
interruptions**

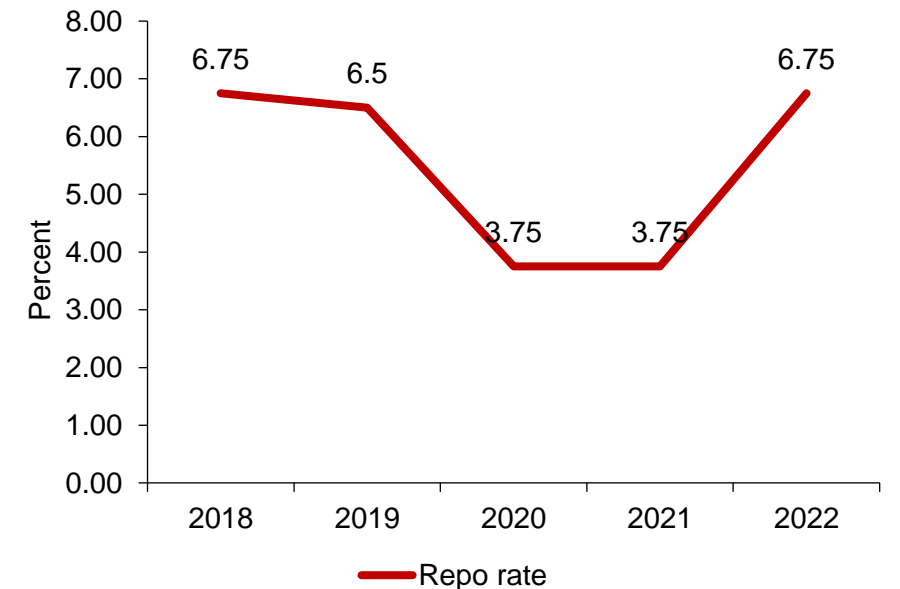
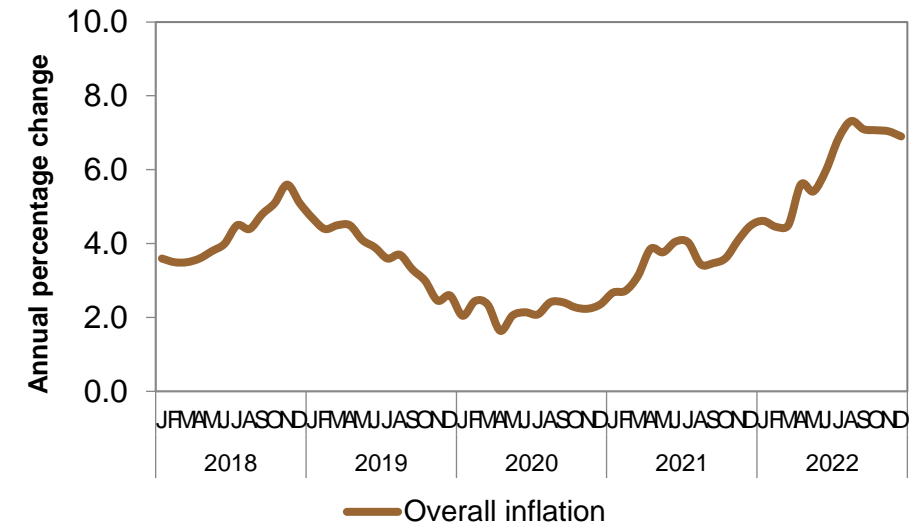
**High costs of key
import items**

**Effects
of climate change**

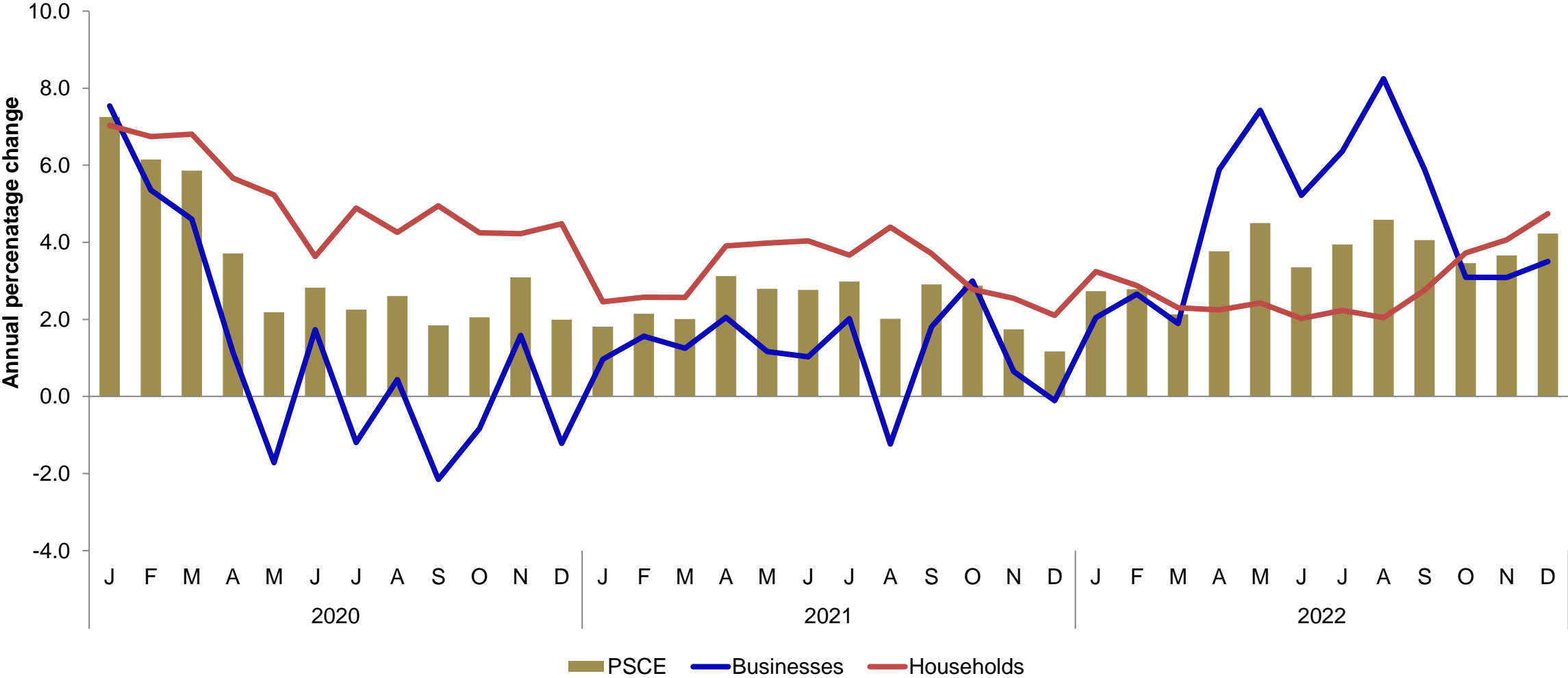
**Potential
spillover of
electricity cuts in
South Africa to
Namibia**

The Bank pursued a tighter monetary policy stance in 2022 to contain rising inflation

- Namibia's headline inflation increased during 2022 compared to the previous year
 - ▶ Overall inflation rose from **3.6%** in 2021 to an average of **6.1%** during 2022, thereby eroding consumers' purchasing power.
 - ▶ The elevated inflation was predominantly driven by inflation for transport, food and non-alcoholic and housing.
- The Bank pursued a tighter monetary policy stance, increasing its repo rate by a total of **300 basis points** to close the year at **6.75%**
 - ▶ The monetary policy stance adopted in 2022 was aimed at anchoring inflation expectations and safeguarding the one-to-one link to the South African Rand, while providing support to the domestic economy.
 - ▶ The repo rate was increased further to **7.00%** at the February 2023 Monetary Policy Committee (MPC) meeting.



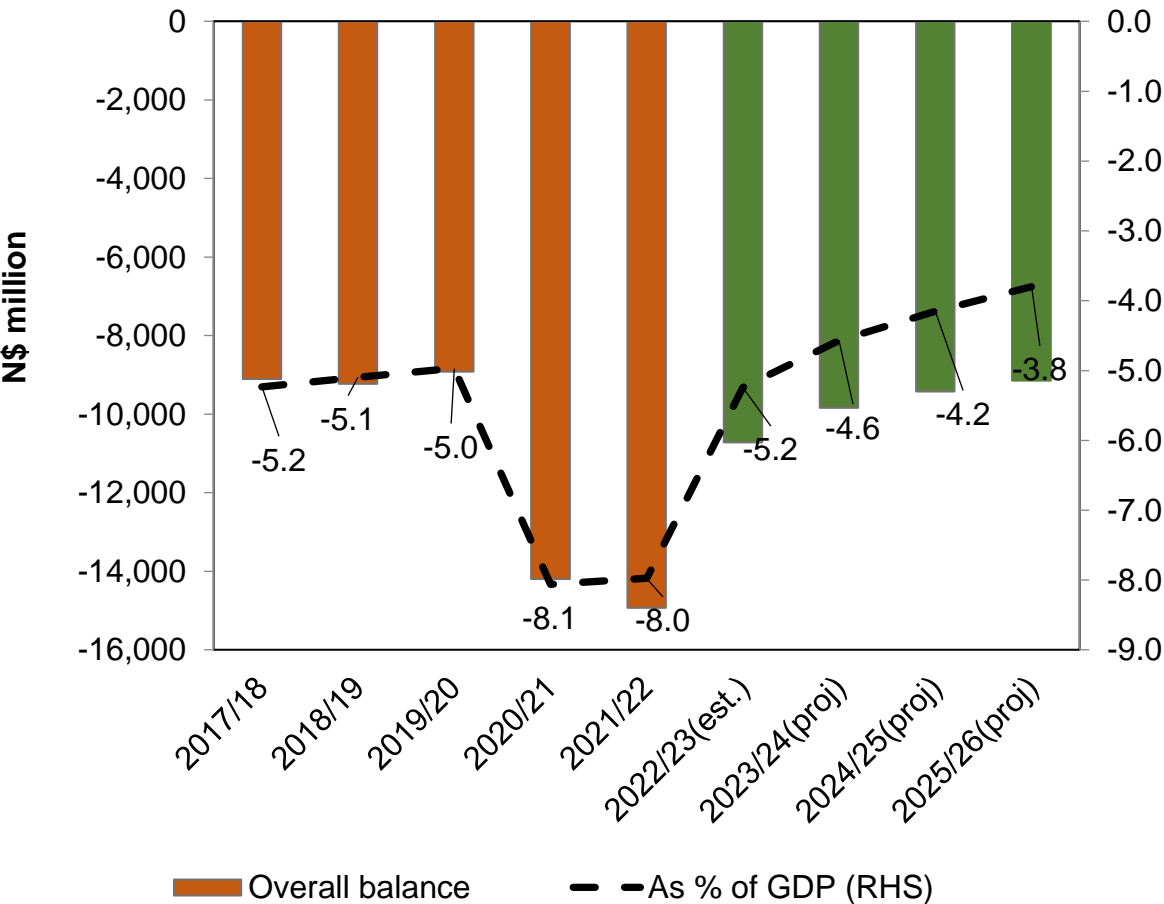
Growth in PSCE remained subdued in 2022, although it edged higher over the period



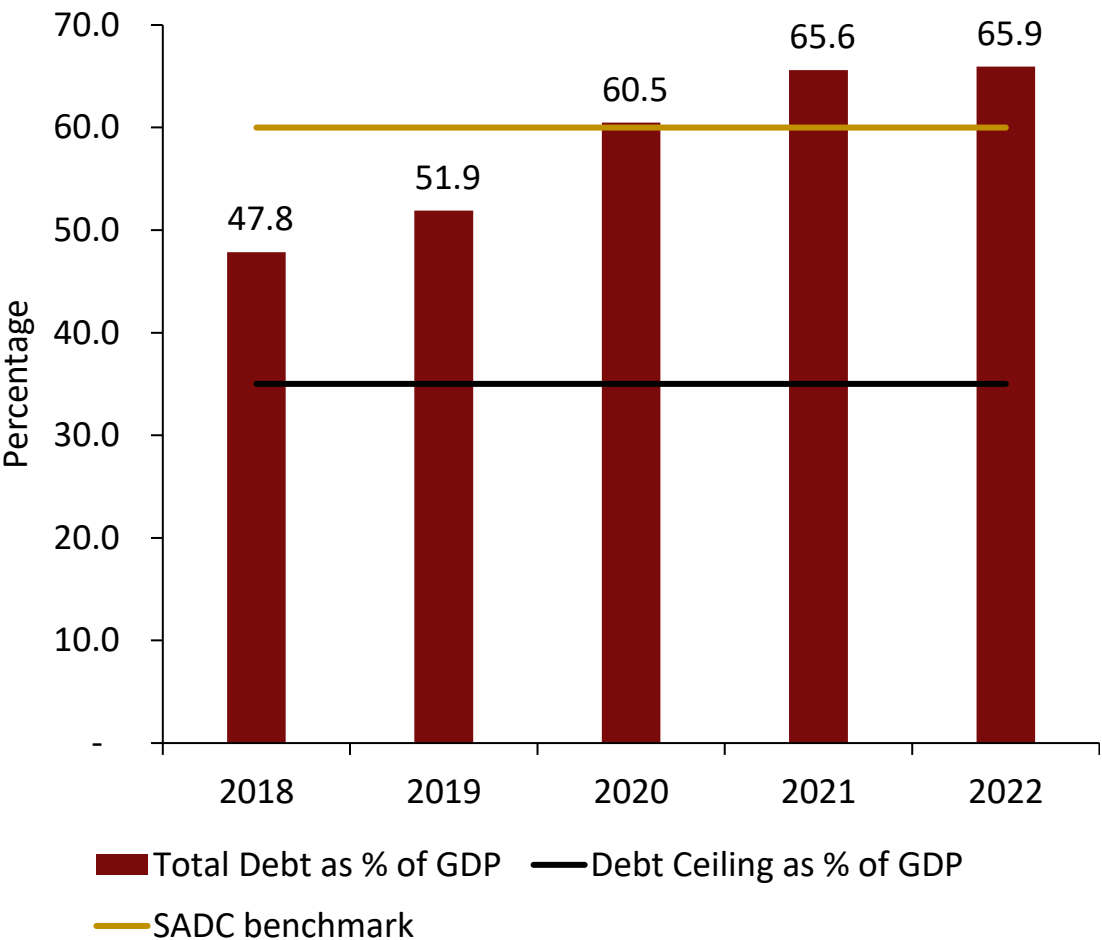
Central Government's budget deficit narrowed during FY2022/23, while debt stock rose over the year



Central Government's budget deficit

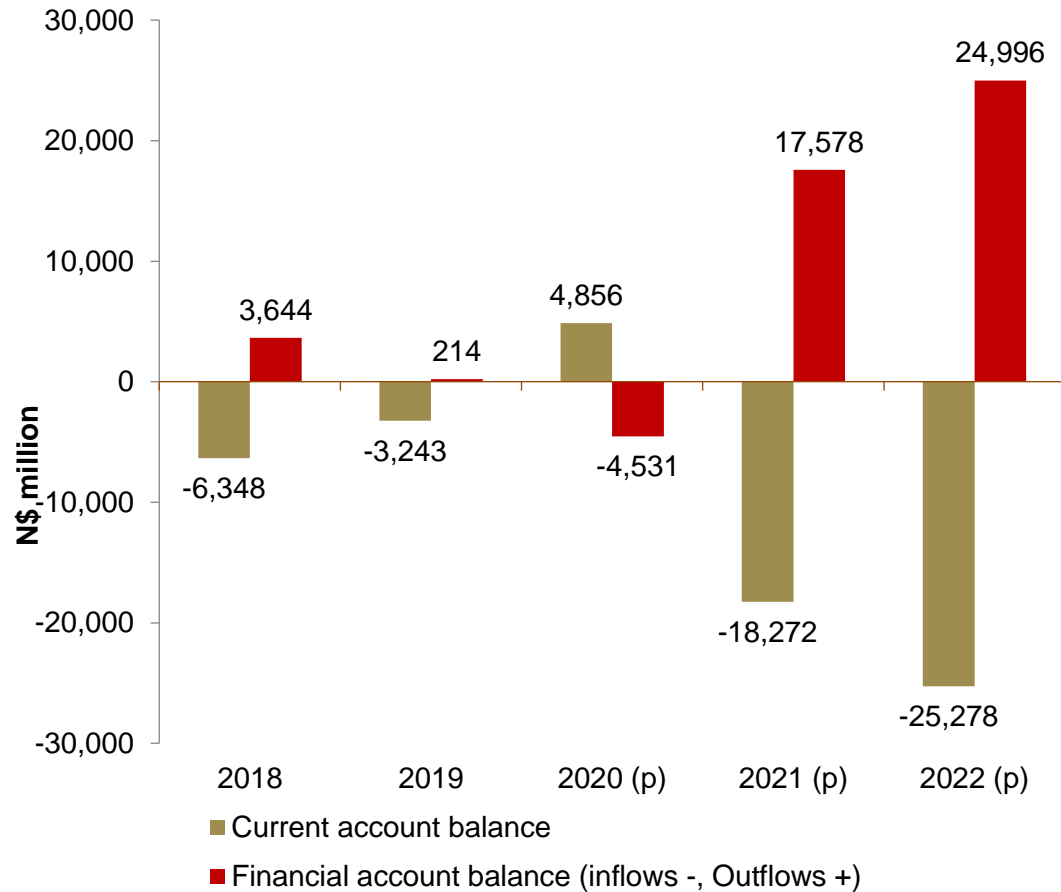


Central Government Debt

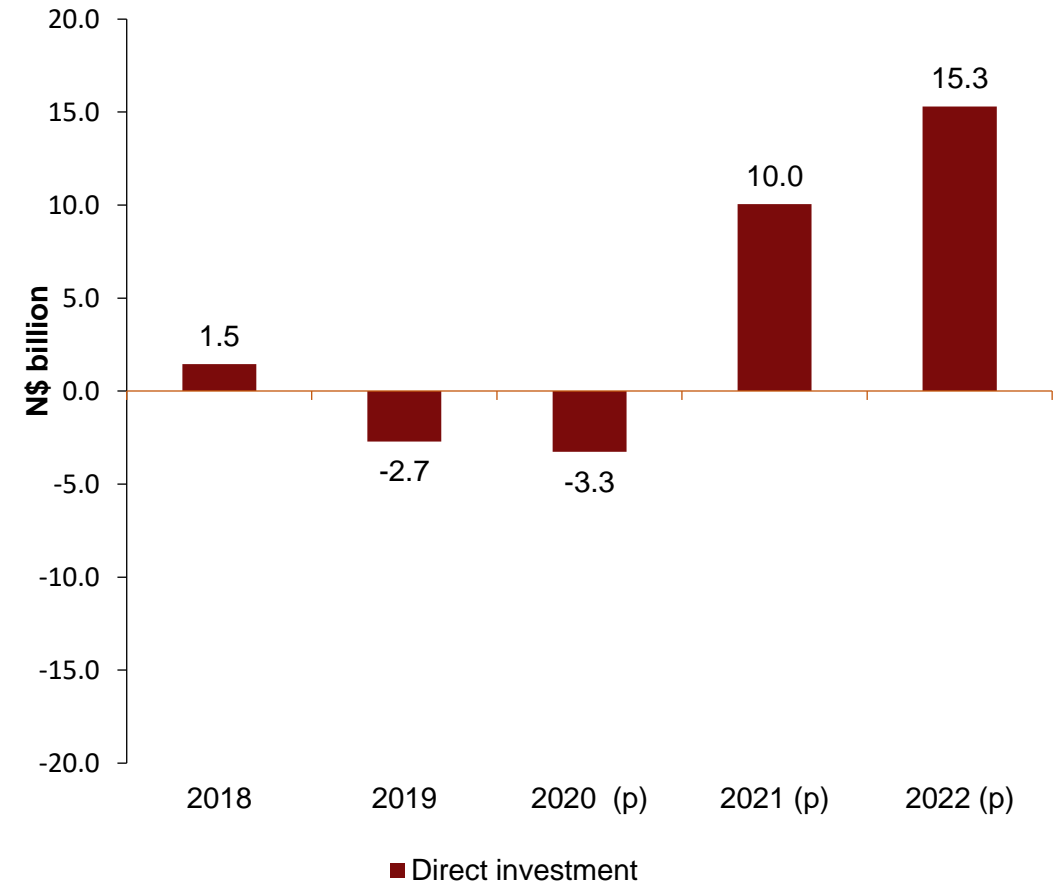


Namibia's current account deficit widened in 2022, but financial account inflows were sufficient to offset it

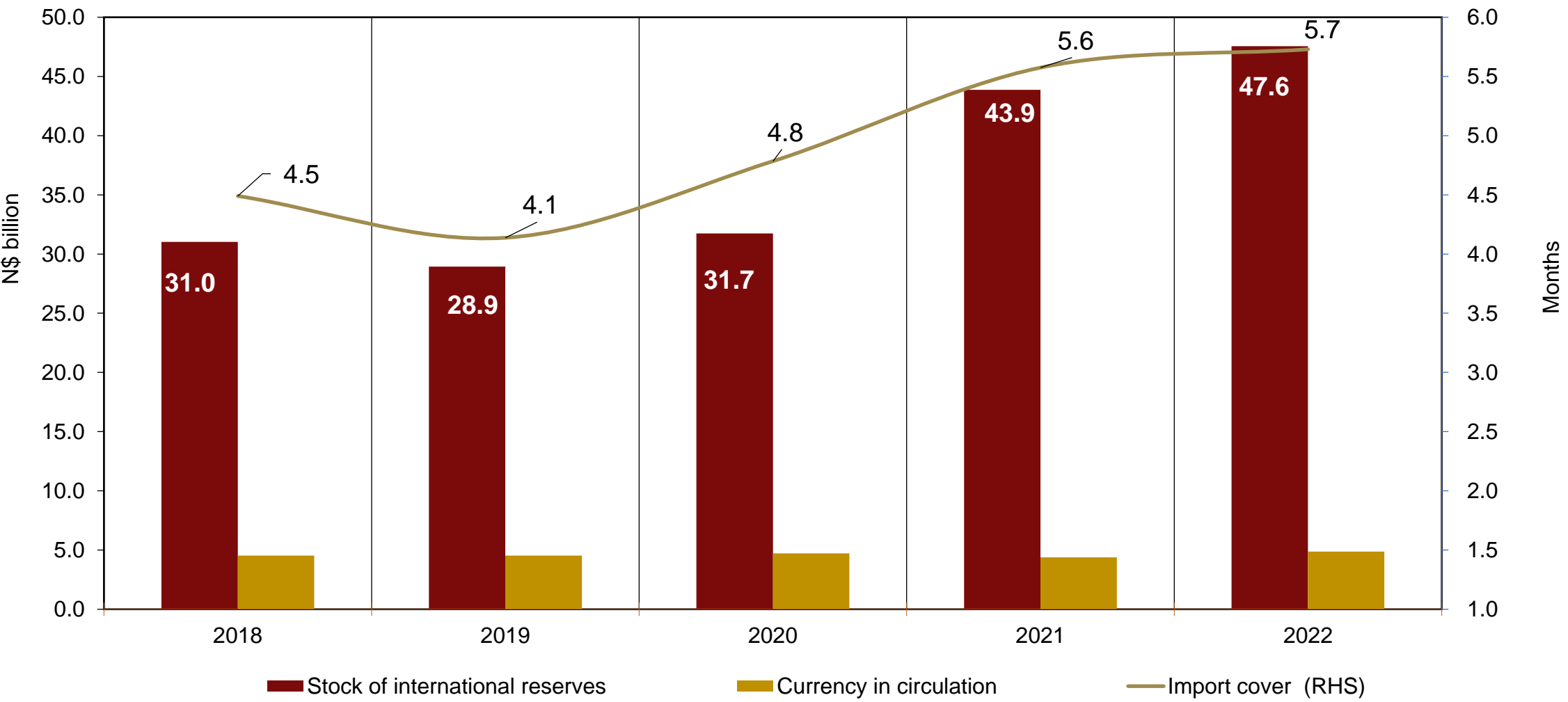
Balance of Payments Accounts



Net FDI Inflows



The stock of foreign reserves held by the Bank rose at the end of December 2022





Financial System



Financial System

The Namibian financial system remained stable, sound, and resilient enough to withstand elevated risks and vulnerabilities emanating from the global and domestic economic and financial environment.

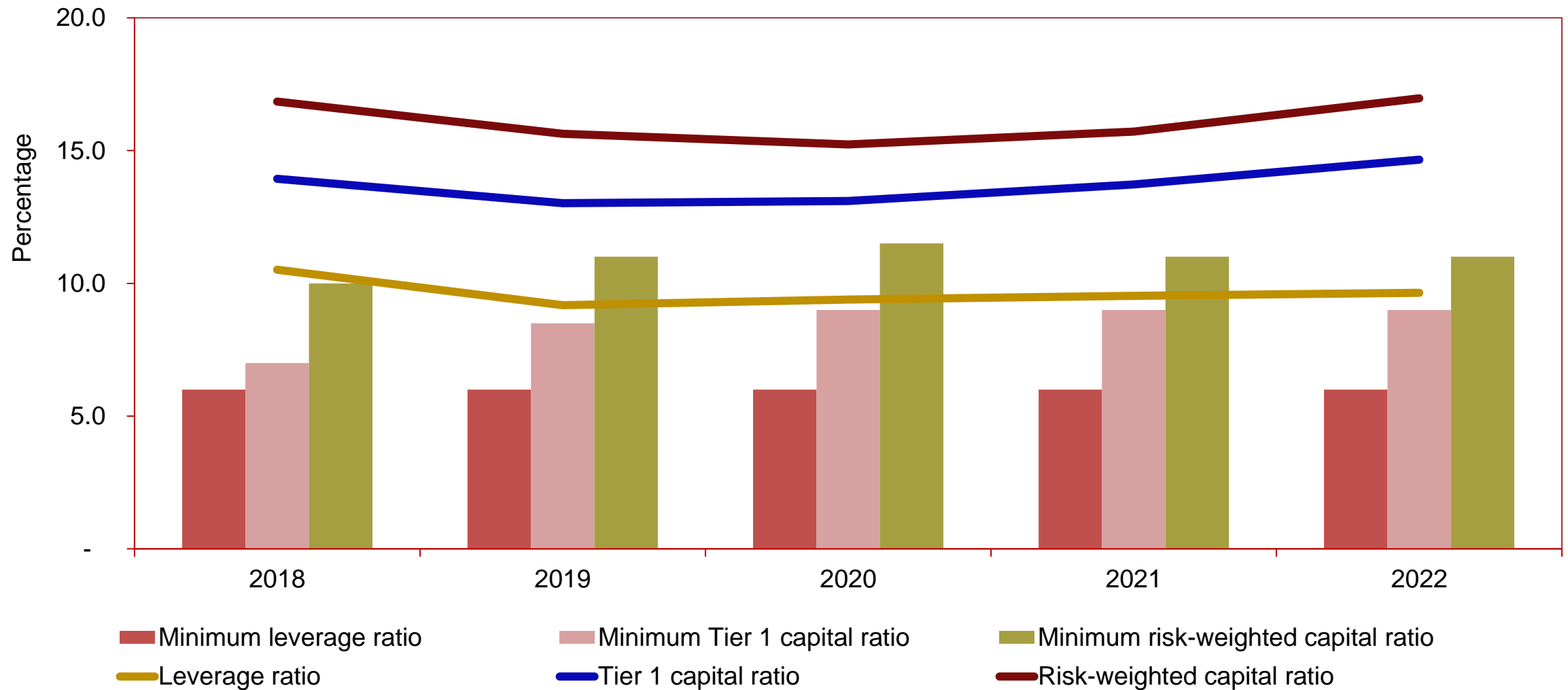
The banking sector remained profitable, liquid and well capitalised



The Non-bank Financial Institutions (NBFI) sector remained profitable and sufficiently capitalised.

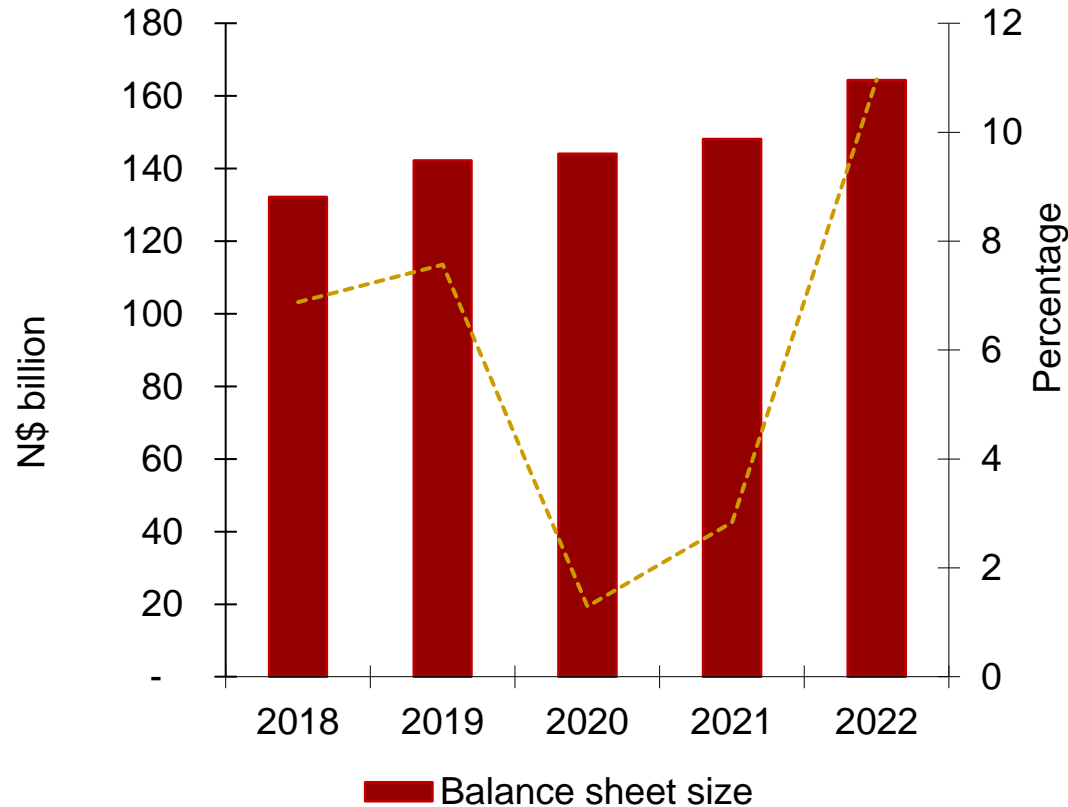
The National Payment System remained stable, effective and efficient in 2022.

The banking sector remained adequately capitalised during 2022

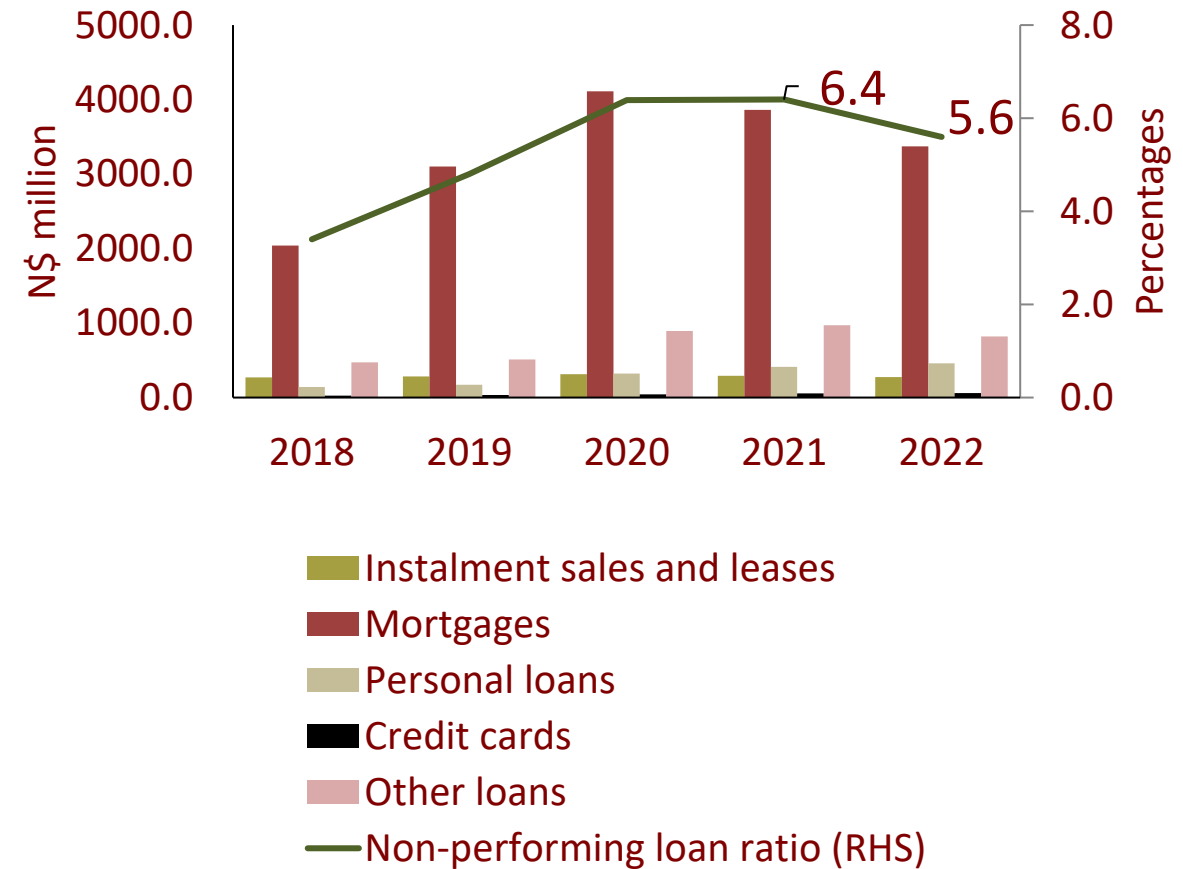


The banking sector balance sheet size reported growth in total in 2022, while asset quality improved as the NPL ratio fell.

Aggregated balance sheet growth

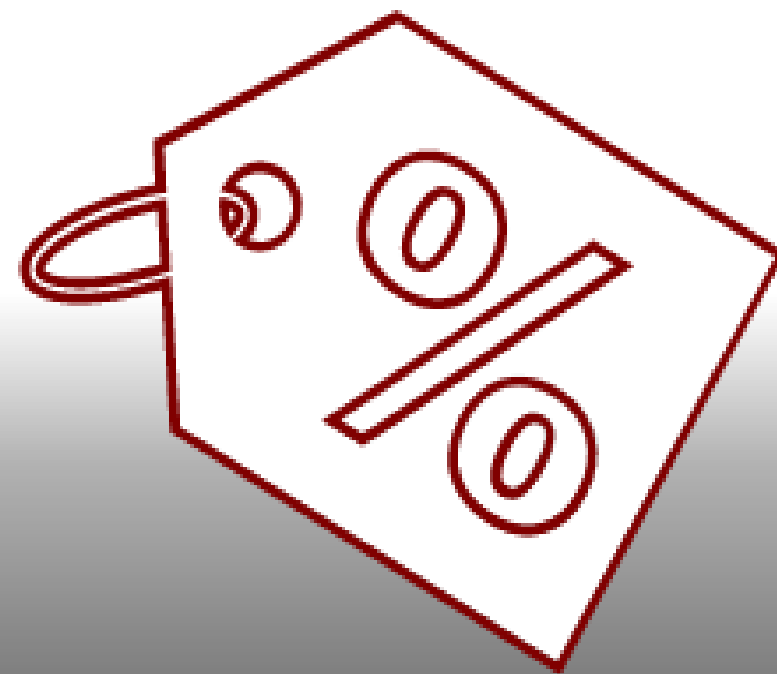


Non-performing loans per product





Financial Performance



The Bank's financial results demonstrated further resilience in 2022



OPERATING PROFIT

+ 11.5%

The Bank operating profit increased by 11.5% to N\$651.2 million in 2022, from N\$584.2 million in 2021

DIVIDEND DECLARED

N\$413.7 mil

The Bank declared a consistent dividend of N\$413.7 million (2021: N\$413.7 million) to the Government



- The Bank of Namibia successfully executed its first year of the 2022–2024 Strategic Plan amidst the challenging macroeconomic environment.
- The global GDP growth rate is estimated to have slowed in 2022 compared to 2021, amid rising global inflation and the disruptive effects of the Russia-Ukraine war.
- The domestic economy built up further growth momentum during 2022, on the back of improved economic activity across all three main industry groupings.
- Namibia's consumer price inflation increased during 2022 compared to the previous year resulting in the tightening of monetary policy by the Monetary Policy Committee of the Bank of Namibia.
- The banking sector remained profitable, liquid and well capitalised.
- The stock of foreign reserves rose as at the end of 2022, remaining adequate to maintain the exchange rate peg arrangement.
- Consequently, the Bank declared a dividend of N\$413.7 million to the State Revenue Fund.
- Going forward, the Bank remains focused on delivering on its core mandate of ensuring monetary and financial stability and supporting the economic development of Namibia.



**THANK
YOU**