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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES ANNUAL REPORT FOR 2021

BANK OF NAMIBIA EXECUTED ITS MANDATE EFFECTIVELY AND DECLARED DIVIDEND OF N\$413.7 MILLION TO THE STATE REVENUE FUND ON ACCOUNT OF ITS OPERATIONS DURING 2021.

A portion of the dividend used as seed capital for the newly created Sovereign Wealth Fund (the Welwitschia Fund).

Highlights of the Report

- The Bank delivered on its core mandate of monetary and financial stability during 2021.
- The Bank maintained an accommodative monetary policy stance to mitigate adverse effects of the COVID-19 pandemic on the domestic economy.
- Namibia's headline inflation rate rose during 2021 but remained well contained.
- The Bank ensured a resilient, sound and stable financial system.
- The Bank's launched a new Strategic Plan, covering the period 2022–2024, on the 1st of December 2021. Digital Transformation has been identified as a key enabler for the Bank's new Strategic Plan.
- The Bank delivered strong net operating surplus driven by solid strategy execution and declared dividends of N\$413.7 million to the State Revenue Fund.
- The Board, in consultation with the Minister of Finance, decided to use a portion of the dividend as further seed capital for the newly created Sovereign Wealth Fund (the Welwitschia Fund).

- 1. The Bank of Namibia continues to honour its statutory obligations and pursuant to Section 67(1) of the Bank of Namibia Act (No. 1 of 2020), hereby releases its Annual Report.** The Annual Report is the Bank's premier publication that outlines the governance and operations of the Bank, the audited annual financial statements, global and domestic economic and financial developments, the banking supervision report and key achievements of the Bank in 2021.

OPERATIONS AND AFFAIRS OF THE BANK

- 2. It is particularly pleasing to note that the Bank delivered on the promises made in the 2017–2021 Strategic Plan, which concluded during the year under review.** In 2021, the Bank successfully concluded activities of the previous 5-year Plan, an account of which is given in this Annual Report. Following the expiration of that Plan, the Bank's New Strategic Plan, covering the period 2022–2024, was publicly launched on the 1st December 2021. The new plan will provide a solid foundation for the Bank to build its monetary policy mandate and contribute towards financial stability that is conducive to sustainable economic development. At the core of the plan lies a shared Vision for the Bank, incorporating a new Mission Statement: *“To support sustainable economic development through effective monetary policy and an inclusive and stable financial system for the benefit of all Namibians”*. Moreover, the Bank aspires to be a leading, future-fit central bank committed to a prosperous Namibia.
- 3. Due to the rapidly changing environment the Bank is currently operating in, the New Strategic Plan which has a three-year execution timeframe.** Over the next three years, the Bank will continue executing its statutory mandate and the four new strategic focus areas (pillars). These are referred to as pillars: *the Purpose Pillar, the Stakeholder Engagement Pillar, the Talent and Transformation Pillar, and the Future-fit Organisational Efficiency and Effectiveness Pillar*.
- 4. Despite the low interest rate environment that persisted in 2021, the Bank recorded a higher surplus in 2021 than in 2020 and declared a record high dividend.** The higher surplus recorded in 2021 was largely on account of capital gains realised from foreign reserve assets and cost containment measures implemented by the Bank. As a result, the Bank declared a dividend of N\$413.7 million to the Government, compared to N\$278.2 million declared in 2020. In this connection, the Board, in consultation with the Minister of Finance, decided to use a portion of the dividend as further seed capital for the newly created Sovereign Wealth Fund (the Welwitschia Fund).

STATE OF THE ECONOMY IN 2021

- 5. Notwithstanding the challenging international environment, the Namibian economy recorded a modest rebound in 2021 and recovered some of the ground lost in 2020.** Following a record contraction of 7.9 percent in 2020, the Namibian economy is estimated to have expanded by 2.4 percent in 2021, aided by supportive macroeconomic policies. This recovery was driven by mining and quarrying, coupled with positive real value addition in the wholesale and retail trade, hotels and restaurants, and information and communication sectors. The expansion is also ascribed largely to base effects, following a sharp contraction in 2020 as a result of severely restrictive measures imposed in the previous year to help prevent the spread of the COVID-19 virus.
- 6. Namibia's headline inflation rate rose during 2021 but remained well contained.** Rising from 2.2 percent in 2020, headline inflation averaged 3.6 percent during 2021, driven by increases in the transport, housing and food categories. The increases were largely caused by rising international oil prices, global supply disruptions, and low base effects.
- 7. During 2021, the Bank maintained an accommodative monetary policy stance to mitigate the adverse effects of the COVID-19 pandemic on the domestic economy.** The Bank kept the repo rate unchanged at 3.75 percent at all six Monetary Policy Committee (MPC) meetings held during the year. This was the lowest level since the country's independence in 1990. The monetary policy stance was adopted to support the struggling economy, while safeguarding the exchange rate peg arrangement. Despite the accommodative monetary policy stance, domestic monetary conditions remained weak in 2021. Growth in broad money supply (M2) remained weak due to lower domestic demand and subdued domestic economic activity. Similarly, growth in private sector credit extension (PSCE) slowed during 2021, mainly due to lower uptake by both households and businesses.
- 8. Namibia's external current account deteriorated in 2021 due to a significant increase in the merchandise trade deficit and a decrease in secondary income inflows.** The merchandise trade deficit worsened due to a significant rise in import payments and only marginal growth in export receipts, while lower SACU receipts also contributed to the deterioration of the current account in 2021 to deficit of 9.1 percent of GDP, compared to a surplus of 2.8 percent registered in 2020. Despite redeeming a US\$500 million Eurobond during 2021, Namibia's stock of foreign

exchange reserves increased notably to cover about 6.4 months of the country's imports at the end of 2021, compared to 5.1 months a year earlier. The international reserves thus remained sufficient to meet the external obligations of the country and to provide confidence in the domestic economy. The increase in international reserves during 2021 were supported by inflows from the International Monetary Fund (IMF) Rapid Financing Instrument and an African Development Bank (AfDB) loan, as well as an allocation of Special Drawing Rights (SDRs) by the IMF later in the year. In terms of competitiveness, the Real Effective Exchange Rate (REER) appreciated on an annual basis, signalling a decline in the competitiveness of Namibia's products in international markets.

ASSESSMENT OF THE BANKING SECTOR

- 9. Despite a strained economic environment, Namibia's banking sector remained profitable, liquid and resilient.** The banking sector remained profitable and held adequate levels of capital to cushion against possible shocks to the economy. The sector's profitability as measured by the return on equity increased to 13.6 percent in 2021, from 10.9 percent in 2020, while the capital position remained healthy, with the capital adequacy ratio remaining above the statutory minimum requirement, and in fact increasing slightly in 2021 compared to 2020. On the other hand, asset quality, measured in the level of non-performing loans (NPLs), deteriorated further in third quarter of 2021, when it peaked at 6.9 percent, though it tapered slightly towards the end of the year to 6.4 percent. This NPL ratio level exceeded the crisis benchmark of 6.0 percent and requires close monitoring.
- 10. Looking forward, Namibia needs to map out strategies for the post-COVID-19 era to drive economic recovery.** The new plan must vigorously pursue economic diversification, improve productivity and competitiveness, and enhance resource allocation to productive sectors. Namibia must raise the momentum of COVID-19 vaccine uptake to increase herd resistance.

CORPORATE IDENTITY LAUNCH

- 11.** The Bank of Namibia launched its new Corporate Identity which stems from the Bank's transformational journey. The refreshed look and feel features a futuristic design that demonstrates the Bank's willingness to embrace innovation and transformation. In addition to the current logo, a dynamic shape denotes the Bank's position at the center of macroeconomic management in the country, and an olive-green colour representing sustainability has been incorporated. With this new look,

the Bank is better positioned to meet the needs of its stakeholders as a forward-thinking institution in a constantly changing operational environment. The Bank's rebranding campaign will be promoted through various media outlets.

CONCLUSION

12. The achievements noted in the Annual Report have been made possible through the invaluable contributions of the Bank's staff and the Board, as well as the unwavering support from the Bank's stakeholders. The media and the public at large are encouraged to read the report, which is available in hard copy form upon request and can also be accessed online at:

<https://www.bon.com.na/Publications/Annual-Reports.aspx>



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