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FOR IMMEDIATE RELEASE

## **BANK OF NAMIBIA RELEASES 2024 ANNUAL REPORT**

### **BANK OF NAMIBIA DECLARES DIVIDEND OF N\$720 MILLION TO THE STATE REVENUE FUND ON ACCOUNT OF ITS OPERATIONS DURING 2024**

#### **Highlights of the Report**

- The financial performance of the Bank for the 2024 financial year improved relative to the previous year.
- The Bank declares an all-time high dividend of N\$720 million to the Government of the Republic of Namibia, for the 2024 financial year.
- The stock of international reserves stood higher at N\$63.0 billion, at the end of 2024, translating to an import cover of 4.2 months.
- The Bank reduced the degree of monetary policy restraint during the second half of 2024, to support the domestic economic activity while safeguarding the currency peg between the Namibia Dollar and the South African Rand.
- Namibia's economic growth slowed to 3.7 percent in 2024, compared to 4.4 percent in 2023.
- Namibia's current account deficit as percentage of GDP remained elevated and unchanged at 15.3 percent of GDP during 2023 and 2024.
- Despite a challenging global economic environment, the financial sector's performance remained resilient and sound during 2024.

1. **The 2024 Bank of Namibia Annual Report has been prepared in line with Section 67(1) of the Bank of Namibia Act, 2020 (Act no. 1 of 2020).** The report provides a summary of the Bank's operations and affairs, the state of the economy with surveillance on the

macroeconomic environment and a Theme Chapter titled: “The Impact of Artificial Intelligence (AI) on the Economy”. The theme chapter investigates the economic benefits of AI on the economy and found that the rise of AI presents both opportunities and challenges for the future of work and society as a whole. While many concerns about job displacement are valid, it is essential to recognise that AI has the potential to liberate individuals from mundane and unfulfilling tasks. Furthermore, the report presents a banking supervision section which provides an overview of the banking sector performance and overall stability of the banking system. Finally, independently audited financial accounts of the Bank form part of the report.

## **OPERATIONS AND AFFAIRS OF THE BANK**

- 2. The Bank’s three-year Strategic Plan (2022–2024) was successfully concluded on the 31<sup>st</sup> October 2024, delivering significant accomplishments and making a high-impact contribution to its objectives.** Through the four core strategic pillars – purpose, stakeholder engagement, talent and transformation, future-fit organisational efficiency and effectiveness – the Bank successfully promoted price stability, safeguarded financial stability, strengthened financial regulation, modernised the financial system and assisted with economic recovery and growth. The Bank’s stakeholder engagement efforts significantly enhanced public trust and confidence as measured through its stakeholder engagement survey, while the Bank’s commitment to talent development and digital transformation strengthened our resilience and forward-looking capacity. By the end of 2024, the Bank had made noteworthy progress, completing 98 percent of the comprehensive three-year plan. These accomplishments are a testament to the dedication and adaptability of every employee of the Bank of Namibia, management and the Board.
- 3. The Bank posted a solid financial performance in 2024.** The Bank’s operating profit for 2024 remained solid at N\$1.011 billion (N\$1.025 billion in 2023). The strong performance was on the back of robust investment returns and adequately controlled and monitored expenses during the period under review. Consequently, the amount available for distribution increased to N\$1.1 billion in 2024, higher compared to N\$956 million in 2023. In this regard, the Bank distributed a record-high dividend of N\$720 million to the Government of the Republic of Namibia for the 2024 financial year, relative to N\$511 million in 2023.

## STATE OF THE ECONOMY IN 2024

**4. Global economic growth moderated slightly in 2024 compared with 2023.** In this regard, global GDP growth eased slightly to 3.2 percent in 2024 from 3.3 percent in 2023 on the back of weak investment, sluggish productivity growth, and high debt levels. Moreover, tight monetary conditions dampened global growth, especially by impacting housing and credit markets. Growth in Advanced Economies (AEs) ticked marginally higher to 1.8 percent in 2024 compared with 1.7 percent registered in 2023, as investment remained subdued, particularly in the Euro Area. On the other hand, growth in the US remained solid at 2.8 percent in 2024, compared to 2.9 percent in 2023, driven by consumption and non-residential investment. In Emerging Market and Developing Economies (EMDEs), growth remained unchanged at 4.2 percent in 2024 relative to 2023. This state was ascribed to the slow pace of structural reforms, which is holding back productivity growth.

**5. Going forward, global economic growth is projected to increase slightly, albeit still below the historical average.** The world's GDP growth is projected to rise to 3.3 percent in 2025. According to the IMF's January 2025 World Economic Outlook Update, the anticipated sluggish growth was attributed to the lagged impact of tight monetary policy and increased geopolitical risks. On the other hand, AEs are anticipated to register flat growth in 2025 relative to 2024 levels.

Specifically, growth in AEs is estimated to remain unchanged at 1.8 percent in 2025, supported by a combination of country-specific dynamics as inflation pressures unwind and economic activity converges towards long-term growth levels. Growth for EMDEs is projected at 4.2 percent in 2025, remaining at the same rate as in 2024.

**6. Real GDP in Namibia expanded further in 2024, although at a slower pace than in 2023.** The growth rate of the Namibian economy slowed to 3.7 percent in 2024 from 4.4 percent recorded in 2023, impeded by a weak performance in the primary industry, particularly the contractions in *diamond* and *crop production*. The secondary and tertiary industries, however, showed improved performances, with the growth in the secondary industry primarily driven by stronger activity in the *manufacturing* and *construction* sectors. Meanwhile, the tertiary industries experienced growth led by the wholesale and retail trade sector, largely stimulated by rising income, easing inflationary pressures, mineral exploration-related purchases, adjusted tax bracket refunds and moderately lower interest rates.

Other sectors, including transport, *hotels and restaurants*, *finance*, *health and public administration* and *defence* also showed strong performances, contributing to the overall tertiary industry growth.

7. **Inflation in Namibia eased in 2024 compared with 2023 levels, offering some relief to consumers by ameliorating the erosion of their spending power.** Overall inflation for Namibia decreased to an average of 4.2 percent during the year under review from 5.9 percent in 2023. By June 2024, inflation had slowed to 4.6 percent and further to 3.4 percent by December 2024. This was mainly ascribed to the effect of the tight monetary policy stance filtering through to the economy, alongside slower food and transport inflation. The latter resulted from generally more favourable fuel prices, which were kept unchanged or adjusted downwards for the greater part of the year.
8. **The Bank's Monetary Policy Committee (MPC) was pleased to note how its consistent application of sound monetary policy culminated in a substantial slowdown of inflation, enabling the adoption of an easing policy stance in the second half of 2024.**

As inflation accelerated, the MPC raised its key policy rate stepwise from February 2022 to reach a plateau of 7.75 percent from June 2023. This policy tightening cycle was not unique to Namibia but aligned with most central banks, given the need to tame the high inflation that was ignited by a series of supply-side shocks impacting commodity prices during 2022. This conservative policy trajectory brought about a notable decline in domestic inflation by 2024. With medium-term projections of inflation having moderated and against the backdrop of a global monetary policy easing cycle, the MPC began cutting interest rates in August 2024 with a 25-basis-point reduction. This was followed by similar reductions in October and December, bringing the Repo rate to 7.00 percent by year-end. Key considerations informing the MPC's decisions included not only the slowdown in inflation but also the robust level of international reserves, the orderly capital flows, and the pressing need to continue supporting domestic economic activity amid weak credit growth. Correspondingly, the prime lending rate that amounted to 11.50 percent at the end of 2023 was reduced to 10.75 percent at the end of 2024, bringing measured relief to borrowers.

9. **The Government's budget deficit as a ratio of GDP widened during FY2024/25, while the debt ratio to GDP rose over the year to the end of December 2024.** The central Government's budget deficit for the FY2024/25 stood at 3.9 percent, up from 2.4 percent in the previous fiscal year. The rise in the deficit was primarily ascribed to a rapid growth in expenditure, which outweighed the rise in revenues during the period under review.



Furthermore, total debt as a percentage of GDP stood at 65.3 percent as at the end of 2024, slightly higher by 1.4 percent registered at the end of 2023.

**10. Namibia's current account deficit deteriorated further, mainly due to a widening merchandise trade deficit.** The deficit on the current account widened to N\$37.6 billion during 2024, from N\$34.9 billion recorded in the preceding year. This was due to higher import payments and slightly lower export earnings during the period under review. As a ratio of GDP, the deficit on the current account remained elevated and unchanged at 15.3 percent of GDP during 2023 and 2024. The current account deficit, excluding hydrocarbon exploration and appraisal-related transactions, widened to 5.0 percent of GDP during 2024, compared to a deficit of 3.7 percent of GDP in 2023. Nonetheless, the financial account inflows were sufficient to cover the current account deficit and contribute to the accumulation of foreign reserves.

**11. Namibia's foreign exchange reserves rose during 2024 and remained sufficient to support the currency peg and meet the country's international financial obligations.** The stock of international reserves rose by 18.4 percent during 2024, from N\$53.2 billion recorded at the end of 2023 to N\$63.0 billion as at the 31<sup>st</sup> of December 2024. The increase was supported by higher SACU receipts and government foreign borrowing as well as the revaluation gains due to the moderate depreciation of the Namibia Dollar against major currencies. The reserve position remains adequate as measured in terms of the three adequacy measures adopted by the Bank, with the import cover in particular closing off the year at 4.2 months of imports, above the 3-month international benchmark.

**12. In addition to the annual economic performance analysis contained in the Annual Report, the March 2025 Quarterly Bulletin, released alongside the Annual Report, provides a timely and in-depth analysis of quarterly economic developments.** This Bulletin is essential for tracking short-term economic trends and offers valuable insights into various economic variables throughout the year. In particular, the Namibian economy showed positive momentum in the fourth quarter of 2024, achieving a year-on-year growth rate of 3.1 percent, significantly above the ten-year average. This growth was primarily driven by strong performances in the construction, manufacturing, and wholesale and retail trade sectors, despite ongoing challenges in the primary industry. Inflation notably slowed to 3.1 percent during the quarter, influenced by a decrease in transport and food prices. Furthermore, private sector credit growth improved, and the money supply remained robust. On the external front, while there was a widening of the current account deficit, financial inflows helped support an increase in international reserves.

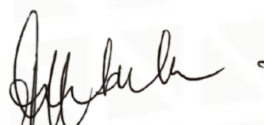
- 13. The Quarterly Bulletin is available on the Bank of Namibia's website and includes comprehensive statistical tables previously presented in the Annual Report.** These tables can also be easily downloaded directly from the Bank of Namibia's website at [www.bon.com.na](http://www.bon.com.na) by navigating to the "Statistical Information" section.

## **ASSESSMENT OF THE FINANCIAL SECTOR**

- 14. The financial system remained resilient and sound during 2024 amidst challenging economic conditions.** In this regard, the banking sector remained strong and liquid during 2024, above the prudential requirements. The banking sector's profitability and earnings improved due to higher net interest income as well as operating income. Asset quality, as measured by the non-performing loans (NPLs) ratio, recorded an improvement and remained below the supervisory intervention threshold.
- 15. Similarly, the non-bank financial institutions (NBFIs) sector demonstrated remarkable resilience in 2024.** The NBFIs sector's aggregate assets increased despite global economic challenges and was facilitated by favourable financial market conditions, declining interest rates, and moderating inflation that enhanced consumer purchasing power. The sector remains of significant importance to Namibia's fiscal stability.

## **CONCLUSION**

- 16. In conclusion, the achievements specified in this report could not have been possible without the invaluable contributions of the Board and our staff as well as the consistent support of all our other stakeholders. The media and the public at large are thus urged to read the report thoroughly, which is available upon request and can also be accessed online at <https://www.bon.com.na/Publications/Annual-Reports.aspx>.**



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