BANK OF NAMIBIA

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ANNUAL REPORT

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1. INTRODUCTION

The Namibian economy recorded a steady annual real gross domestic product (GDP) growth of 3.6 per cent for the past five years, inspite of a decline by 1.9 per cent in 1993. The better performance was on account of the moderate recovery in diamond production and increase in fish output. Fish processing, and water and electricity had also contributed to the 1994 real growth. Excluding diamonds, the growth in the other sectors would have resulted in a 4.8 per cent growth in real GDP.

Real gross national income (GNI) expanded by 14.8 per cent in 1994 after a decline of 2.3 per cent in the previous year. Despite the rise in real GNI, net primary incomes received from the rest of the world decreased by 1 percentage point as a share of GNI at current market prices. Real GDP per capita showed a moderate improvement of 2.3 per cent to US$1 288.00 when compared with the decline of 4.9 per cent in 1993. Real GDP at market prices grew by 5.5 per cent in 1994, which was responsible for the better performance in real per capita GDP.

Increase in money supply and credit extended by banks to the domestic sector reached a high level during the third quarter of 1994, but decelerated somewhat towards the end of the year. The broadly defined money which includes the monetary liabilities of the Bank of Namibia, commercial banks and other banking institutions, reached a high annual growth rate of 42 per cent during the third quarter of 1994.

The strong expansionary effects on the money creation process, emanating from lending to businesses and individuals continued unabated in 1994. At N$4 916 million, lending to the private sector rose almost twice as much as in 1992. Claims on government by the banking system increased in 1994 to N$599 million. Credit development in the banking sector are generally in line with development in the monetary sector. The rate of increase in credit extended to the private sector was 28 per cent, while that of M2 (i.e. narrow money and quasi-money) rose by 40 per cent in the third quarter.

Namibia's overall balance in the balance of payments was provisionally estimated at N$266 million in 1994; a result of a widened current account surplus of N$748 million and deficit on the capital account of N$440 million. Foreign reserve assets position improved to N$719 million, equivalent to 6 weeks of merchandise imports and non-factor services. The level of foreign assets at 31 December 1994, was N$10.5 billion compared with foreign liabilities of N$8.9 billion.

The Namibia dollar, in line with the South African rand, depreciated by about 9 per cent against the US dollar over the first seven months of 1994. The external public debt as at the end of 1994, increased by 15 per cent to N$1.6 billion, or 15 per cent of GDP. More than two-thirds of the total debt are being renegotiated, as it comprises the pre-independence debt between Namibia and South Africa.

The Namibian inflation as measured by annual percentage changes of the interim consumer price index of Windhoek, closely followed that of the Republic of South Africa. However, during 1994 the increase in general price level in Namibia remained higher than in South Africa. The annual average inflation for Namibia was recorded as 10.7 in 1994 compared with 8.6 in the previous year. The major consumer item influencing the upward trend of the Namibian inflation is food prices, which account for more than 28 per cent of the total consumer basket.

International Environment

The world economy is expected to expand further in the new year. The International Monetary Fund projected global trade volume growth of nearly 6 per cent in 1995, following an estimated 7 per cent growth in 1994. In the latter year, the American economic expansion became more firmly established and, in Europe, the European Union national economies, led by Italy and Britain, rebounded from a deep recession and headed for a robust recovery. The 12-nation EU's economic growth is estimated at a rate of 2.6 per cent in 1994. In Japan, the economy which gradually recovered from a three-year downturn, managed a modest growth rate of about 1 per cent in the same year.

Meanwhile, the Newly Industrialised Economies of Asia continued their upward march, adding to their ranks the emerging industrial economies of Thailand and Malaysia, and not far behind were Indonesia and the Philippines. Economic growth in Latin America increased, largely reflecting a turnaround in Brazil and relatively strong growth in Argentina, Chile, and Peru. In Africa, economic activity increased only slightly in 1994, reflecting the effects of the drought, continued political uncertainties and the economic transformation process in some countries, and country-specific problems.

Economic recovery in the *United States* became more firmly established by 1994, registering a combination of strong growth (4 per cent) and low inflation (2.7 per cent). The main impetus was the sharp decline in long term US interest rates during the latter half of 1993. Coupled with steady recovery in the labour market, consumer confidence improved, fuelling demand in most sectors of the economy.

The anxiety over future inflation and inflationary expectations, on the back of a persistently robust economic expansion, had prompted the Fed, on several occasions last year, to take measures to boost interest rates.

The United States posted its biggest merchandise trade deficit in history last year, as a surge in imports swamped a record level of exports. The deficit soared by 25.4 per cent last year to US$166.29 billion, compared with a 1993 shortfall of US$132.58 billion. Deficits with Japan and China were both at record levels last year. The Japanese imbalance climbed by 11 per cent to US$65.7 billion while the trade gap with China surged at a rapid rate of 30 per cent to US$29.5 billion.

The latest indicators pointed to a persistently strong economic growth, with the purchasing managers' index and consumer confidence at a multi-year high; and employment, income, retail sales and industrial output continuing to pick up. After a 4.4 per cent increase over twelve months, GDP was expected to advance at a seasonally adjusted, annualized rate of more than 4 per cent in the fourth quarter.

Germany was seen as the engine of EU economic growth in 1994, with real GDP that expanded by 3 per cent. The strong performance was export-led, supported, in most part, by the economic recovery in Europe. Investment in residential construction was the second major driving force behind the growth.

Prospects for economic recovery were encouraged, in the first half of 1994, by monetary easing, low and falling inflation, and falling unit labour costs which underpinned export competitiveness. In July, unit labour costs in the manufacturing industry were down by almost 11 per cent on the previous year, while capacity utilization had not exceeded the long-term average.

Germany's trade surplus in October grew to a preliminary DM7 billion from September's DM5.1 billion. However, the export-fuelled boom left unemployment unchanged at 3.6 million.

The *Japanese* economy was gradually recovering from a three-year downturn and it grew by a marginal 1 per cent in 1994, as a strong yen took a toll on exports. Full recovery had been hampered, in addition, by lack of investment in new plants and equipment and declining private consumption, low capacity utilization in major industries, and increased overseas production. On the employment front, excess labour remained persistently high, by Japanese standards. There were, however, positive developments as well.

Firstly, high levels of housing investment and public investment continued. In addition, some improvement in personal consumption appeared. Exports also started to recover, induced by strong growth in the United States and East Asia. Secondly, corporate production activities started to recover, although gradually.

Japan's current account balance with the U.S. widened as the year drew to an end. However, Japan's trade balance with the rest of the world narrowed, especially in the third quarter of 1994. In the three months to September, the current account surplus fell by 6.4 per cent compared with the previous quarter. The strengthening currency began to be reflected in export and import volumes and, as a result, the surplus was declining in dollar terms. In November, the country's trade surplus was $12.1 billion, down by 3.9 per cent on 1993. Exports rose by 8.1 per cent to $32.8 billion, while imports were up sharply by 16.6 per cent to $20.7 billion.

Third-quarter GDP was up 0.9 per cent in real terms on the previous three months. Most importantly, business investment rose slightly (0.5 per cent). Despite the fall in October, industrial production climbed again towards year-end. A tax cut was implemented in December to stimulate demand. Private investment also showed a moderate pick-up in December.

In early 1994, the *French* economy started to emerge slowly out of recession. Household consumption rose modestly by 0.9 per cent in January, but consumer fundamentals remained weak as unemployment had not improved over the previous year. In the first quarter, real GDP was for the first time up over the previous year, with a small (1 per cent) growth. Unemployment, however, remained at record levels.

The persistence of high unemployment and its composition suggested that there were significant structural problems in the labour market. To address some of these difficulties, the authorities introduced a number of initiatives, including a five-year employment law to increase flexibility and lower the cost of employing low-skilled workers.

At the end of 1994, unemployment was still France's most intractable economic problem, standing in contrast to its strong performance in inflation, foreign trade and current account. GDP growth was estimated at 2.2 per cent, for 1994.

The *United Kingdom* economy stagnated in 1993, with low inflation, and a broadly steady trade gap. During 1994, the economy strengthened and growth became more broadly balanced, with investment showing signs of picking up and export performance responding to improved competitiveness and world economic recovery. Investment benefited from buoyant exports and lower interest rates, while private consumption recovered substantially, supported by a considerable fall in the savings rate.

Economic recovery in *South Africa* faltered somewhat in the first quarter of 1994 and real gross domestic product contracted. The poor performance was largely the result of a decrease in agricultural output. Real non-agricultural output continued to expand in the first quarter, albeit at a considerably lower rate. Special circumstances were probably responsible for the lower growth, arising from political uncertainty, ongoing violence in the run-up to the April general election, work stoppages and labour unrest.

In the first quarter of 1994, the current account surplus weakened considerably because of lower exports combined with a sharp rise in imports. The capital account, however, improved remarkably to record only a small net deficit in the capital account in the quarter.

Owing to political uncertainty and ongoing violence, capital outflow rose again dramatically in April and was only reversed in May after it became clear that the election results were generally acceptable to most South Africans. As a result of these developments, net foreign reserves decreased sharply, reflecting the sharp contraction in the nominal and real effective exchange rate of the rand in the first five months of 1994.

All the main expenditure components increased in the first and second quarter of 1994 and accordingly aggregate real gross domestic expenditure rose further, but at a modestly subdued pace. A sharper increase in real personal disposable income and strong real consumption by the general government underpinned the expenditure growth.

Despite a stronger international demand and a substantial increase in exports, the total volume of exports continued to perform relatively poorly in the first and second quarter of 1994. At the same time, factors such as South Africa's high marginal propensity to import, the replacement of outdated and obsolete equipment, a rise in fixed investment and an accumulation of inventories, resulted in a sharp increase in the volume of imports.

The continued slow growth in domestic production in the third quarter of 1994 was accompanied by a sharp increase in real gross domestic expenditure, driven by some improvement in consumer and investor confidence. Inventories increased considerably in the third quarter of 1994. A substantial part of this accumulation of inventories reflected some speculative demand for imported goods based on an expected further depreciation of the rand. Accordingly, the volume of merchandise imports rose substantially further in the third quarter of 1994, but was accompanied by only a moderate rise in merchandise exports.

These developments resulted in a switch from a surplus on the current account in the second quarter to a large deficit in the third quarter. Over the same period, a dramatic turnaround took place on the capital account from a relatively large net outflow in the first half of 1994 to a net inflow of capital in the third quarter. The improvement in the capital account that offset the deficit on the current account led to an increase in the nominal and real effective exchange rates of the rand.

The strong growth in the money supply and domestic credit extension, together with factors such as the depreciation of the rand, domestic supply-constraints in the agricultural sector and renewed higher inflationary expectations, were responsible for a reversal in the downward trend in inflation rates.

A robust manufacturing performance underpinned growth in the fourth quarter of 1994 to register an annualized growth rate of 6.4 per cent, and a GDP rate of 2.3 per cent for the year.

Regional Cooperation

Economic inter-dependence and regional cooperation have become more fashionable in recent years. Namibia is a member of five regional organisations: the Common Monetary Area (CMA), the Southern African Customs Union (SACU), the Southern African Development Community (SADC), the Preferential Trade Area for Eastern and Southern Africa (PTA), and the Common Market for Eastern and Southern Africa (COMESA).

Owing to Namibia's membership in the CMA and the close inter-dependence of the country's banking system with that of South Africa, the scope for independent monetary policy in Namibia is very limited, at the moment. In general, the Bank of Namibia's monetary policy mirrors developments in South Africa and actions of the South African Reserve Bank.

SACU is a customs arrangement among countries whose economies have historically been closely integrated with South Africa. The arrangement that is currently governed by the 1969 agreement, has a common external tariff regime; and is the only functioning agreement of its type in the region.

Namibia does most of her trading with SACU member countries, especially South Africa. SACU receipts, which are based on the level of merchandise imports, increased by 14 per cent in 1994 from N$762 million the previous year. In terms of the agreement, South Africa, through a revenue sharing formula, is supposed to compensate other members for the disadvantages arising from their membership of SACU.

The SACU agreement does not facilitate fiscal autonomy other than that of South Africa (membership of SACU imposes the loss of customs and excise duties as instruments of economic policy for members have to apply those in force in South Africa); polarises (through strong competition or even resistance from South African industries) industries in other member countries while allowing those in South Africa to grow unhindered; and the external tariffs have a price rising effect on member countries. Equally disadvantageous is the fact that South Africa can set external tariffs without consulting other members. The SACU agreement is currently being renegotiated to make it more transparent and mutually beneficial to all members.

SADC aims for closer economic cooperation and integration in the sub-region. Since joining the organisation in 1992, Namibia has been benefitting from about 14 projects, valued at about US$209.5 million, in the overall SADC Programme of Action. The country is also supposed to benefit from the creation of a Databank for Culture in SADC, SADC Press Trust, SADC/Nordic Journalism Centre, SADC Regional Book Fair, Southern Africa Film Festival and SADC Festival on Arts and Culture.

In addition, the Early Warning and Food Information was established in the Directorate of Agricultural Planning and has already provided valuable information during the recent drought. There are a host of other projects, such as the Zambezi River Action Plan and the Trans-Caprivi Highways (with a value of US$96.5 million), ensuing from Namibia's participation in the SADC.

2. NATIONAL OUTPUT AND EXPENDITURE

National Output

The major components of national output, had a mixed performance during the past 5 years. Their growth had been very erratic, while there has been a shift in terms of relative shares of GDP. The relative shares of primary industries, which accounted for 35.8 per cent of all industries at 1984 basic prices, contracted to 32 per cent in 1993, before it increased to 33 per cent in 1994. Its growth rate has also been fluctuating, registering a decline of 6.1 per cent in 1990, followed by a substantial increase of 14.8 per cent and 5.9 per cent growth in 1991 and 1992, respectively. The trend reversed in 1993 with a decline of 10.8 per cent in this sector, but rebounded with a 12.0 per cent growth in 1994. It was on account mainly of positive growth in mining and quarrying and in agriculture, particularly subsistence agriculture.

The secondary industries, which are mainly dominated by manufacturing and construction activities, recorded only a marginal growth of 1.1 per cent in 1993. It appears to have recovered slightly in 1994, due mainly to a better performance in electricity and water, which grew by 22.8 per cent, compared with a decline of 53.1 per cent in the previous year. The 8.9 per cent growth in the manufacturing activities also had a positive influence on the 8 per cent growth of the secondary industries.

Activities in the tertiary industries have been steadily gaining momentum. The tertiary contribution to *all industries at basic prices*, remained constant at about 55 per cent from 1990 to 1994. It grew by 3.5 per cent in 1994, reflecting the 25 per cent growth in tourism. General government which accounts for 48 per cent of the tertiary industries grew by 2.9 per cent.

Sectoral Developments

Agricultural performance during 1994 continued to improve, registering a 18.6 per cent growth. It comprises an estimated 2.6 per cent growth in commercial agriculture and 72.4 per cent subsistence agriculture. Unlike the 1992 agricultural growth which was a result of emergency marketing and government drought assistance, the better performance was the result of higher commodity prices both for agricultural produce and for livestock during the period. The marketing of karakul pelts also contributed significantly to the agricultural sector. The prices of karakul pelts soared after the European karakul auction was shifted from Germany to Denmark.

The *fishing sector* increased its relative share of real GDP from 1.5 per cent in 1990 to 4.1 per cent in 1994. This sector has a great potential for employment creation and contribution to export revenues. Value-added in the fishing sector is estimated to have increased by 7.1 per cent, substantially lower than the 43.8 per cent recorded in 1993. This is partly explained by the adverse oceanic conditions experienced during 1994. The highest growth rate was recorded in 1992 when the sector expanded by about 85 per cent. Taking into account that the fishing sector came under a new system of quotas meant for specific fish species' recovery, its performance gives hope for better economic growth in the future.

The *mining* sector with a relative share of real GDP of 17.7 per cent had a complete turnaround in 1994 with a positive growth trend starting in the first quarter. The rebound was propelled by the recovery in both diamonds and uranium output, and the satisfactory performance of gold output during the first three quarters of 1994. Its growth rate for 1994 is estimated at 10.5 per cent, contributed by a 10.8 per cent growth in diamond mining and 9.9 per cent in the non-diamond mining sector.

The recovery in uranium production during 1994 has been firm in the first and second quarter, with growth rates of 13 per cent and 20 per cent, respectively. The third quarter performance, was disappointing however, reflected by a drop of about 11 per cent in output.

Real growth in the *manufacturing sector*, which accounts for 6.8 per cent of GDP, stood at 8.9 per cent in 1994. The 1994 growth is lower than the 13.9 per cent recorded in 1993, mainly from the slight decline in fish processing activities during 1994. Fish processing grew by only 15.5 per cent, down from a high rate of 32.3 per cent during the previous year. Other manufacturing activities such as the production of paint and beverages had a positive influence on the whole sector.

Other improvements in the secondary industries were reflected in the increase of electricity and water during 1994. It grew at the rate of 22.8 per cent for the year, partly boosted by the on-going rural electrification program. The construction sector experienced fluctuations in performance, declining by 16 per cent in 1991 and then increasing by 36.5 per cent, but marginally increased by 0.5 per cent in 1994. The real value of buildings completed at the end of the third quarter amounted to N$147 million compared with N$127 million during the corresponding period of the previous year. The value of building plans passed by the end of the third quarter of 1994 was N$411 million compared with N$265 million during the corresponding period of 1993.

Growth in value-added of the tertiary sector was 3.5 per cent in 1994. Largely responsible was the slow down in general government, which grew by 2.9 per cent compared with 5 per cent in 1993. Tourism, which has great potential for growth, registered the highest growth rate of 25 per cent during the review period. Significant performance was also realized in transport and communication services, and finance, real estate and business services.

Domestic Expenditure

During the period 1990 to 1994, domestic demand showed a rather erratic growth trend. It slowed down from 7 per cent in 1990, to a substantial decline of 7.7 per cent in 1993. However, on account of a remarkable increase in inventory investment, real domestic demand rose by 11.4 per cent in 1994. The highest growth rate in real consumption expenditure was recorded in 1991, following a 8.8 per cent growth in general government expenditure and a 8 per cent growth in private consumption expenditure.

Private consumption expenditure

After having declined by 9.8 per cent in 1992, real private consumption expenditure recovered moderately in 1993 when it grew by 3.4 per cent, but recorded a growth of 0.7 in 1994. The marked fall in 1992 was partly a result of the high inflation rate of 17.9 per cent experienced during that year, which moderated in 1993. In 1994, the inflation rate went into double digits, further eroding consumer purchasing power.

General government consumption expenditure

The term general government includes central and local government, with central government accounting for 96 per cent of the total government final consumption expenditure. The final consumption of general government, hereafter, government, has grown marginally by 0.7 per cent in 1994 from a high of 7 per cent in 1992. Responsible for most of the weak growth was government intermediate consumption expenditure which set in motion a declining trend of 10 per cent and 6 per cent in 1993 and 1994, respectively. Compensation of employees had a slower growth rate of 2.7 per cent in 1994, contrasted with the 6 per cent growth in 1993. Consumption of fixed capital by government grew at a constant, but slower rate from 7.4 per cent in 1990 to 3 per cent and 3.4 per cent in 1993 and 1994, respectively.

Gross fixed capital formation

Real gross fixed capital formation (GFCF) went up by 2.9 per cent during 1994. This figure compares very unfavourably with the 43.7 per cent growth in capital formation in 1992. After the exceptionally high investment results in 1990 and 1991, investment in the fishing sector started to decline. As a share of total GFCF, it reached a peak in 1992, registering 7.2 per cent of GFCF, than slowed down significantly during the 1993 and 1994 period. In 1993 real investment in the fishing sector was 3.7 per cent of GFCF, while it declined to 2 per cent in 1994. A substantial decrease occurred in the manufacturing sector, especially in fish processing. Investment by general government reached a high of 36.4 per cent in 1991, and then remained constant at about 32 per cent of GFCF in 1993 and 1994. As a share of GDP, real gross fixed capital formation fell by 2 percentage points to 18 per cent.

Inventory investment

Real inventory investment showed a declining trend from 1993. However, the stock changes in 1994 were not as severe as those in 1993, when inventory changes were estimated at N$443.9 million. Responsible for the slow-down in stock was the effects of drought in 1992. The effects of the devastating drought of 1992/93 are reflected in the drawdown of agricultural stocks in 1992 and 1993, respectively, with ripple effects still being felt during 1994. In addition, reduction in inventories of a major magnitude was observed in the mining sector. Both 1993 and 1994 experienced substantial reductions in mining stocks, partly reflecting the depleting levels of most of the mines and the industrial strikes which took place during that period.

Domestic saving and Factor income

After the high growth rate of 55 per cent in gross domestic saving in 1989, it declined by 4.2 per cent and 25.9 per cent in 1993 and 1994, respectively. The savings ratio, that is, saving as a proportion of national disposable income, was lower at 14 per cent than the respective 22.1 per cent and 20.2 per cent in 1992 and 1993. The declining trend in the saving ratio indicates a rise in consumption expenditure as a share of disposable income.

The annual increase in nominal gross domestic product at factor cost amounted to 5.4 per cent during 1994, which compares unfavourably with the 17.1 per cent increase in 1993. The slower increase in GDP at factor cost is primarily a result of slower growth in both nominal compensation of employees and gross operating surplus. Gross operating surplus grew by 1.6 per cent in 1994 compared with 15.2 per cent growth during 1993. Nominal compensation of employees increased by 8.9 per cent in 1994, down from a growth rate of 18.9 per cent in the previous year.

3. PRICE DEVELOPMENTS

The general price level in Namibia is mostly influenced by price changes in the Republic of South Africa. Being Namibia's main source of imports, a large percentage of the Windhoek interim consumer price inflation is essentially imported. The major driving force behind Namibia's inflation rate is the general increase in food prices, which account for over 28 per cent of the total weight of the consumer basket. Transport and communication, housing, fuel and power, are the next most important items in the basket, representing 20.7 per cent and 19.9 per cent, respectively.

The annual average inflation rate for 1994 resembles the one of 1991, with an average inflation rate of 10.7 per cent and 11.8 per cent, respectively. The year 1992 experienced the highest rates of inflation from March to June, with 1993 the lowest at 8.6 per cent. The 1994 average annual inflation rate of 10.7 per cent is mainly a result of double digit inflation in the major items in the consumer basket. Both food inflation and housing, fuel and power inflation rose by 13 per cent while miscellaneous goods and services increased by 18.5 per cent during the review period. Additional sales duty of 13 per cent on luxury goods introduced in 1993, had also been a factor for the higher consumer prices for the year.

4. MONETARY AND FINANCIAL MARKETS DEVELOPMENTS

The principal monetary development of 1994 was the rapid expansion of the Namibia dollar in circulation replacing the Rand, as well as a high growth rate recorded in broader money and credit extension to the private sector by the banking system. The average annual growth rate of broad money, M2, (made up of narrow money and quasi-money) for 1994 was about 30 per cent compared with 25 per cent recorded in 1993. During the year as a whole, more than 85 per cent of the increase in M2 emanated from the borrowing of the private sector.

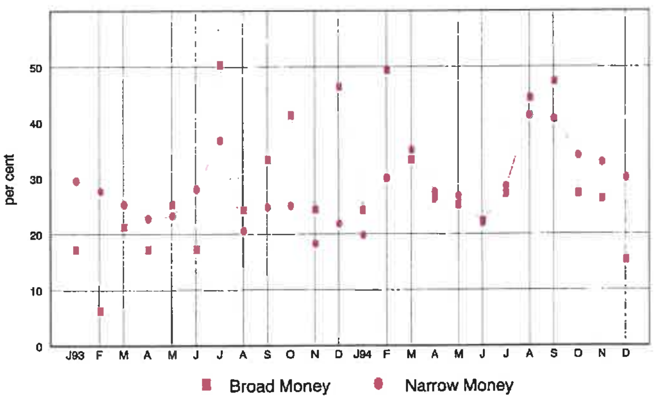
On the liabilities side, the expansion emanates mainly from currency outside deposit money banks, and demand deposits and time deposits of commercial banks. In the first half of the year the annual growth rate of M2 rose to almost 35 per cent, while in the third quarter it reached a peak of 42 per cent. Monetary growth, however, was higher than credit growth, partly reflecting (on an accounting basis) over-funding of the private sector. Within the credit data borrowing by individuals remained strong; but there were some decreases in the share of lending to individuals from 73 per cent in 1993 to 65 per cent in 1994.

The commitment to preserve the external value of the Rand, high expected inflation rate and high growth rate in credit to the private sector has led to a restrictive monetary policy in South Africa. Interest rates in Namibia closely mirror those in South Africa. However, despite a close relationship between the domestic interest rates for both countries the consumer price index in Namibia exhibited somewhat higher rates generally from those that prevailed in South Africa, during the year under review. As a result, the real interest rate differential between Namibia and South Africa, as measured by the prime rate, widened from 0.22 percentage point in 1993 to about 1.07 percentage point in 1994.

Monetary aggregates

Narrow money, M1, (which is made up of currency in circulation and demand deposits of commercial banks) and quasi-money (which is made up of savings and time deposits of commercial banks and other banking institutions) grew by about 31 per cent and 36 per cent, respectively. The annual growth rates in all monetary aggregates rose to very high levels in the third quarter of 1994, clearly indicating depositor's preference for short-term deposits. The broader money supply (M2), comprising M1 and quasi-money of the banking institutions registered a high growth rate of 40 per cent in September 1994. All monetary aggregates exhibited an upward trend during the third quarter of 1994 and then reverted to a steady growth pattern during the last quarter of the year.

Chart 4.1 Annual growth rate of narrow and broad money



Money narrowly defined (M1), grew by an annual rate of 44 per cent in the third quarter. The wide fluctuation in M1 reflected mainly the issuing of the national currency in September 1993, when the Bank of Namibia started reporting the currency in circulation (the Namibia dollar). The twelve-month growth rate in M2 increased from less than 20 per cent in November 1993 to a peak of 42 per cent in August 1994; in the subsequent months it declined slightly to 33 per cent in November and then further to 30 per cent in December 1994. For the year as a whole, the main factors contributing to the monetary expansion was a strong demand for credit by the private sector, while public sector impact on monetary expansion has been moderate and sometimes contractionary. The slowdown in the growth of money, at the end of 1994 is attributed to an increase in net foreign assets, mainly foreign assets of the Bank of Namibia that include the Rand taken out of circulation and invested outside the country as foreign exchange reserves. High deposits of the Central Government at the Bank of Namibia also contributed to the increase in foreign assets of the Bank.

Among the components of money supply (M2), strong growth rate was recorded in time deposits of the commercial banks, as well as in savings deposits of the building societies, while savings deposits of the commercial banks and time deposits of the building societies recorded a weak growth rate in 1994. The maturity structure of deposits remained extremely short-term, with the average share of demand deposits fluctuating at around 42 per cent. The largest absolute rise was in deposits of individuals, while deposits of businesses grew at a slower pace.

Liquid assets held by commercial banks remained at around 1 percentage point above the required liquid asset ratio, compared with 2 percentage points in 1993. Commercial bank holdings of treasury bills and internal registered stocks constituted about 22 per cent of the total liquid assets of the commercial banks at the end of the year, compared with about 48 per cent and 47 per cent recorded in 1992 and 1993, respectively.

Credit developments

Credit to the domestic sector by the banking system increased by 25 per cent or N$1 110 million to N$5 606 million over the year. Credit extension to the private sector by the banking system, that accounts for more than 88 per cent of domestic credit, increased by 28 per cent to N$4 917 million over the year, mostly due to an increase in loans and advances

Table 4.1 Claims on domestic sector by the banking system

(N$ Million)

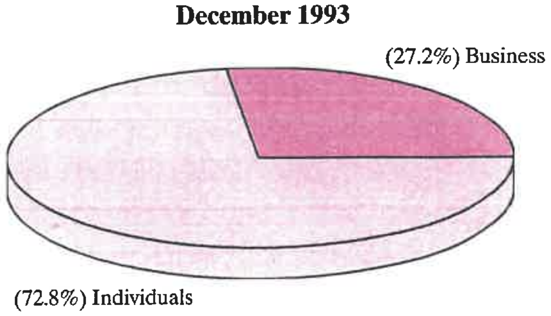
	1991	1992	1993	1994
DOMESTIC CREDIT	2 068	3 576	4 490	5 600
Claims on Central Government (net)	-377	421	548	599
Claims on Financial sector	7	7	17	9
Claims on Private sector	2 368	3 083	3 854	4 917
Other	70	65	71	81

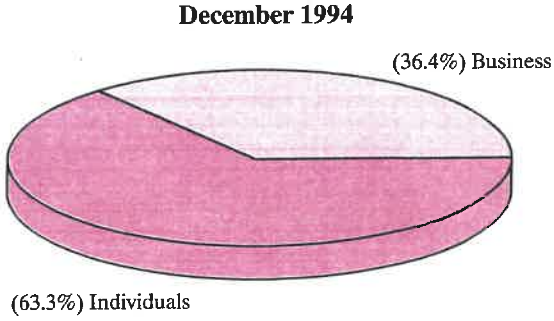
and instalment credits by commercial banks. Lending to nonbank financial institutions by the banking system fell from N$17 million in 1993 to N$9 million in 1994.

Claims on private sector by other banking institutions, that is mainly in the form of mortgage loans to individuals, registered a significant growth from N$1 149 million in 1993 to N$1 374 million in 1994. For the year as a whole, the growth rate of domestic credit continued to be attributed to high increases in banking institutions' claims on private sector, as well as a moderate increase in net claims on central government, reflecting commercial banks holdings of treasury bills and internal registered stocks.

The annual growth rate in respect of credit to the private sector by commercial banks exhibited a tendency to increase, rising from 29 per cent at the beginning of the year to 33 per cent at the end of the third quarter of 1994. Claims of the commercial banks on the private sector by type of borrowers strengthen significantly. As a share of total commercial banks lending to private sector, it rose from 27 per cent in 1993 to 36 per cent in 1994 (Chart 4.2), partly reflecting the buoyant business activities during 1994, as against 1993. In December 1994, 74 per cent of the total credit to business was in the form of loans and advances, compared with 58 per cent recorded in the previous year. Over the two years from 1992, instalment credit registered a twofold increase in 1994 and stood at N$227 million (Table 4.2).

Chart 4.2 Claims on private sector by commercial banks





The share of credit extended to individuals as a percentage of total credit to the private sector declined significantly from 73 per cent in 1993 to 64 per cent in 1994, (Chart 4.2). However, this type of borrowers continued to be the largest recipient of loans from the commercial banks. The increase in credit to individuals is mainly due to a high demand for houses and consumer durables as reflected in the growth of mortgage loans and instalment credit respectively. The composition of credit extended to individuals has changed significantly between 1992 and 1994. In particular the share of instalment credit to individuals, as a percentage of total credit extended to individuals increased substantially from 20 per cent in

1992 to 33 per cent in 1993 before receding to 25 per cent as at end of 1994. Lending to individuals were dominated by mortgage loans, which increased substantially in line with a higher activity in the housing market. Mortgage loans extended to individuals by the banks jumped from N$522 million in 1993, (or a 51 per cent increase) to N$787 million in 1994.

The commercial banks' claims on the private sector are dominated by loans and advances and instalment credits. The twelve-month increase of N$837 million in credit to the private sector in December 1994, is mainly characterised by an increase of N$990 million increase in loans and advances as other categories registered a decline over the period. Loans and advances accounted for more than 74 per cent of total credit extended to the private sector by commercial banks while instalment credits accounts for 22 per cent.

The annual growth rate of loans and advances recorded in 1994 was about 44 per cent compared with less than 23 per cent in 1993. Of this component, about 30 per cent is attributed to mortgage loans, while the remaining 70 per cent is mainly in the form of overdraft facility. Year-on-year, growth rate of mortgage loans declined somewhat from 24 per cent in June 1993, to 23 per cent in August 1994, before rising again to more than 50 per cent in December 1994. However, the share of this sub-component stood at about one fifth of total credit extended to the private sector compared with about one quarter in 1992. The annual growth rate of both bills discounted and leasing transaction registered a declining trend during 1994.

Money and Capital Markets

The money and capital markets in Namibia are still in their infancy stage but fast developing. The Namibian Stock Exchange (NSE) was established in

Table 4.2 Commercial banks claims on private sector by type of credit

N$ million

	1992				1993				1994			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
1. Individuals	**1 105.702**	**1 143.8**	**1 240.2**	**1 464.6**	**1 404.8**	**1 492.2**	**1641.1**	**1 969.1**	**2 045.8**	**1 998.0**	**2 100.7**	**2 254.3**
a) Loans and Advances	766.4	805.7	862.3	1046.6	969.0	1 023.2	1 079.1	1 205.2	1 442.4	1 479.9	1 537.2	1 661.1
(i) Mortgage loans	236.3	258.9	276.3	513.4	375.8	416.2	466.0	521.7	567.6	643.7	731.7	787.3
(ii) Other loans and advances	530.0	546.8	586.0	533.2	593.2	607.0	613.1	683.5	874.8	836.2	805.4	873.8
b) Instalment credit	224.4	237.7	253.9	278.2	305.8	340.2	422.9	652.6	487.8	471.2	524.2	563.6
c) Leasing transaction	41.5	45.6	48.9	48.7	47.7	50.7	64.9	46.0	40.4	36.0	38.1	28.0
d) Bills discounted or purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e) Other claims	73.4	54.9	75.1	91.1	82.3	78.1	74.1	65.3	75.3	10.8	1.2	1.5
2. Business	**687.9**	**806.7**	**783.5**	**614.6**	**815.6**	**864.4**	**868.2**	**736.5**	**930.8**	**1 109.1**	**1 214.7**	**1 288.3**
a) Loans and Advances	463.6	532.0	537.1	388.0	418.5	631.1	622.8	438.8	689.1	831.0	928.4	973.4
(i) Mortgage loans	25.2	2.9	5.1	2.9	2.9	3.8	129.6	12.7	60.1	13.9	16.3	18.2
(ii) Other loans and advances	438.4	529.2	532.0	385.0	415.6	627.3	493.2	426.1	629.0	817.1	912.0	955.2
b) Instalment credit	101.9	110.1	118.7	124.2	127.5	132.3	136.1	141.5	127.5	192.1	198.9	226.9
c) Leasing transaction	19.7	22.0	23.9	26.7	26.5	24.0	25.5	23.9	20.5	22.7	15.4	25.3
d) Bills discounted or purchased	72.1	113.1	76.1	47.3	38.7	46.7	53.0	92.1	55.5	38.1	36.5	35.0
e) Other claims	30.7	29.4	27.7	28.5	204.3	30.4	30.8	40.2	38.2	25.2	35.6	27.7
3. (1+2) Total claims on private sector												
a) Loans and advances	1 230.0	1 337.8	1 399.4	1 434.5	1 387.5	1 654.3	1 701.9	1 644.0	2 131.5	2 310.9	2 465.5	2 634.5
(i) Mortgage loans	261.5	261.7	281.4	516.3	378.7	420.0	595.6	534.4	627.7	657.7	748.1	805.5
(ii) Other loans and advances	968.5	1 076.0	1 118.0	918.2	1 008.8	1 234.3	1 106.3	1 109.6	1 503.8	1 653.3	1 717.5	1 829.0
b) Instalment credit	326.3	347.8	372.6	402.3	433.3	472.5	559.1	794.1	615.3	663.4	723.1	790.6
c) Leasing transaction	61.1	67.5	72.8	75.4	74.2	74.7	90.4	69.9	60.9	58.7	53.5	53.3
d) Bills discounted or purchased	72.1	113.1	76.1	47.3	38.7	46.7	53.0	92.1	55.5	38.1	36.5	35.0
e) Other claims	104.1	84.3	102.8	119.6	286.7	108.4	105.0	105.5	113.4	36.0	36.8	29.2
TOTAL	**1 793.6**	**1 950.5**	**2 023.7**	**2 079.2**	**2 220.4**	**2 356.6**	**2 509.3**	**2 705.5**	**2 976.6**	**3 107.1**	**3 315.4**	**3 542.6**

October 1992. After two years in existence, the NSE recorded a total market capitalization of about N$39 billion equivalent to four times the value of GDP, ranked second in Africa to the Johannesburg Stock Exchange. Of the total 14 companies listed on the NSE, 11 are dual listed, while 9 of the total were listed in 1994. The NSE experienced its most active trading during the year as well as the biggest gain in the index, which rose from 123 in 1993 to 156 in 1994, a gain of 33 points.

In line with government policy to encourage the development of the local money and capital markets government securities were listed on the NSE. The listing was meant to attract capital to the stock exchange, but so far no trading has taken place. Most Government debts in Namibia are held by financial institutions, principally by banks in the form of treasury bills and internal registered stocks. The 91-day monthly tender bills are issued largely for the purpose of creating instruments for money market, apart from financing government deficits.

The market for treasury bills continued to be dominated by commercial banks who favour these instruments largely due to their liquidity and good return. The year under review witnessed an increase in participation by nonbank private institutions. However, in December 1994, 11 per cent of the total bills outstanding was held by nonbanks compared with 24 per cent in 1993.

Interest rates

Money market conditions in South Africa continued to influence general interest rates in the Common Monetary Area. The South African Reserve Bank pursued a tight monetary policy in the second half of 1994, mainly aimed at curtailing the rise in inflation emanating from the strong growth in private sector credit and depreciation of the rand. This action led to a general rise in interest rates in both South Africa and in the whole of the Common Monetary Area in the last quarter of 1994.

Following the move by the South African Reserve Bank in September 1994 to increase the Bank rate by one percentage point, the Bank of Namibia followed suit with a one percentage point increase in its Bank rate to 15.5 per cent. This was followed by a similar increase by one percentage point in the prime rate (to 16.5 per cent), the mortgage rate (to 17 per cent) as well as other short-term interest rates. As a result of the deceleration in the rate of inflation, the real or inflation-adjusted prime rate rose from 1.4 per cent in August 1994 to 4.7 per cent in December.

The short term real interest rate as represented by treasury bills discount rate rose from a negative point to a positive number of 2 per cent in December 1994. The movement in the 91-day treasury bills discount rate which rose from a peak of 16.2 per cent in January 1992, reached a low point of 11.6 per cent in the third quarter of 1994. In December 1994, the nominal discount rate was 12.4 per cent. At this point the discount rate was about 3.1 percentage points below the bank rate.

Prime rate of commercial banks followed the change in the bank rate and stood at 16.5 per cent at the end of December 1994. The real prime rate as adjusted by Windhoek consumer price index fell from a peak of 9.5 per cent in the third quarter of 1993, to less than 2 per cent in the third quarter of 1994. However, in the last quarter of 1994, the rate fluctuated at around 4 per cent, reflecting the fall in the consumer price index.

The weighted average deposit rate was slightly adjusted up from 9.29 per cent in January 1994 to 9.84 per cent in November, while in real terms it remained negative for the last six months of 1994. The gap between the weighted average lending and deposits rates widened from 7.44 percentage points in 1993 to about 7.91 percentage points in 1994.

Chart 4.3 Nominal interest rates

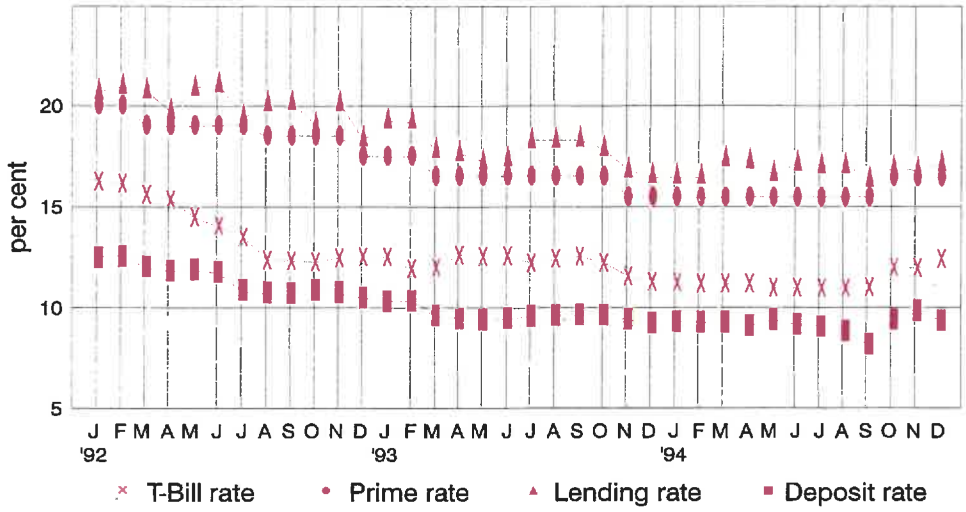
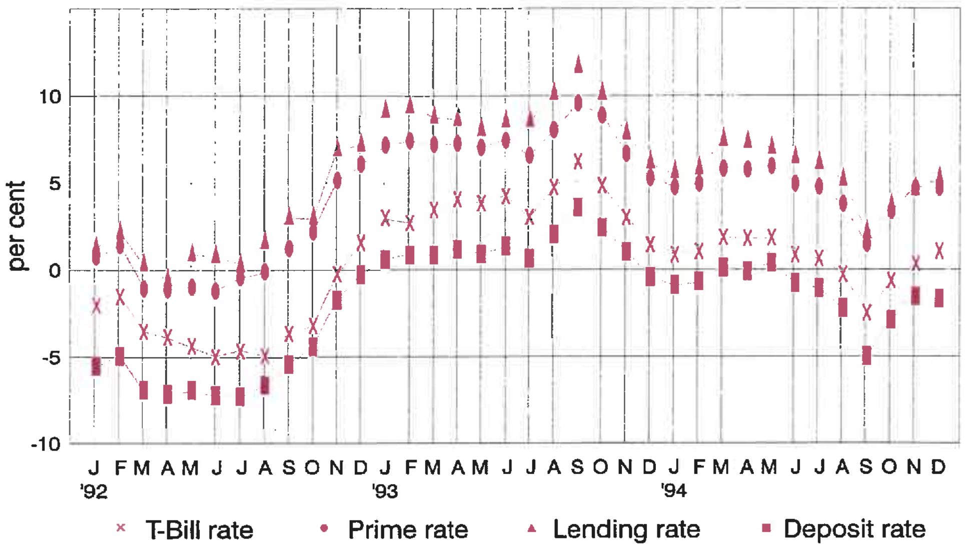


Chart 4.4 Real interest rates



5. PUBLIC FINANCE

In the post independence era, revenue has remained between 35 per cent and 38 per cent of Gross Domestic Product (GDP) while total expenditure as a share of GDP has increased persistently to a higher level of 50 per cent of GDP in fiscal year 1992/93, and 44 per cent in fiscal 1993/94. This trend is reflected in the budgetary deficit during the same period. The ratio of debt to GDP has risen from 15 per cent in financial year 1991/92 to 24 per cent in financial year 1994/95.

Government savings are far from excessive when compared to its investment needs. In fiscal year 1992/93, government experienced a huge dissaving of N$270 million, which was the result of a large N$868 million budget deficit. The situation improved in the following fiscal years of 1993/94 and 1994/95 with N$55 million and N$87 million respectively in government savings.

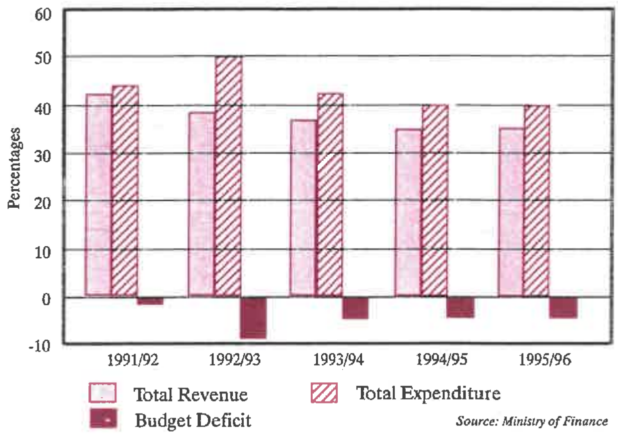
Overall, expenditure control contributed to a decrease in total expenditure in the fiscal year 1993/94, which declined by about 4.4 per cent in nominal term. This decrease was recorded over an increase of about 27 per cent in 1992/93 fiscal year. Current expenditure as a percentage of GDP was brought down from 50 per cent in fiscal year 1992/93 to an estimated 40 per cent in fiscal year 1994/95. The budgeted current expenditure for fiscal 1995/96 is about 33 per cent of the projected GDP.

Total revenue declined steadily in relation to GDP, falling from 38 per cent in 1992/93 to 37 per cent in 1994/95 and is forecasted at 35 per cent of the projected GDP of 1995/96, while tax revenue remained constant in relation to GDP.

Fiscal year 1993/94

Total revenue for fiscal year 1993/94 amounted to N$2 951 million which is N$100 million more than what was budgeted for. According to the actual figures for fiscal year 1993/94, total expenditure amounted to N$3 430 million, and resulting in a budget deficit of N$409 million, which is 5.2 per cent of GDP. The Government, through the Bank of Namibia, raised funds in the local market by issuing treasury bills and Government stock to finance the deficit.

CHART 5.1 REVENUE, EXPENDITURE AND DEFICIT AS A % OF GDP



Source: Ministry of Finance

Fiscal year 1994/95

Total revenue for fiscal year 1994/95 increased by 9 per cent to N$3 239 million compared with the outcome of fiscal year 1993/94. This was partly due to a remarkable increase in taxes from international trade and transactions category. The collection rose from N$89 million in fiscal year 1993/94 to an estimated N$1 022 million in fiscal year 1994/95. Customs and Excise which falls under this category contributed N$902 million. Another positive development was an increase in Tax on Income and Profits by N$128 million to N$899 million in fiscal year 1994/95. However, these increases were offset by declines in some categories of revenue which include Tax on Goods and Services (by N$661 million) and Entrepreneurial and Property Income (by N$12 million).

There were no general budgetary support from grants in fiscal year 1994/95 apart from grants for recurrent activity of N$4 million and a development projects grant of N$40 million. Overall, there was a decline of grants by N$47 million from N$91 million in fiscal year 1993/94 to N$44 million in fiscal year 1994/95.

Total expenditure for fiscal year 1994/95 amounted to N$3 690 million with current expenditure equivalent to 85 per cent of the total expenditure and 33 per cent of GDP. Capital expenditure constituted 15 per cent of total expenditure and about 6 per cent of GDP. These transactions resulted in a budget deficit of N$407 million, which was mainly financed from domestic sources.

1995/96 Budget

The budget for fiscal year 1995/96 were targeted at resolving primarily economic problems facing the country. These objectives could be summarized as follows:

a) to provide strong stimulus to economic growth;
b) to facilitate the generation of job opportunities;
c) to help the poor to share more from the benefits of growth; and
d) to give the poor better access to services that raise their productivity.

Total estimated revenue for fiscal year 1995/96 is expected to increase by 19 per cent to an estimated N$3 828 million from a revised N$3 212 million of 1994/95. The bulk of this increase is from tax revenue, with taxes on international trade playing a dominant role. About 88 per cent of the total estimated revenue is from tax revenue. Southern African Customs Union (SACU) receipts contributed about 34 per cent of tax revenue while domestic taxes on goods and services, and taxes on income and profits contribute about 33 per cent and 30 per cent, respectively.

Of the tax proposals for fiscal year 1995/96, interest on outstanding income tax, sales tax and additional sales duties increased from 15 per cent to 20 per cent compounded on a daily basis. Minor technical amendments are proposed in the Sales Tax Act and in the Additional Sales Duty Act to simplify the administration of these two categories. Persons earning less than N$15 000 per annum are no longer required to submit annual tax returns. The tax rate of 35 per cent which is applicable to an income exceeding N$60 000 has been adjusted to an income of more than N$80 000.

It has been customary for the Government to keep the top marginal rate in line with the company tax rate. As a consequence of the reduction of the maximum marginal rate to 35 per cent, non-mining company tax rate has also been reduced to 35 per cent from 38 per cent. Other amendments that were included in the tax proposals were to increase gratuities from N$30 000 to N$50 000 on a tax free basis by the time of retirement. It was also stated that any amount transferred from one retirement fund to another will be exempted from taxation.

Total expenditure provided for in fiscal year 1995/96 amounts to N$4 362 million which is an increase of 18 per cent from the revised figures of fiscal 1994/95. As a percentage of GDP, total expenditure increased from 37 per cent in fiscal year 1994/95 to 39 per cent in fiscal year 1995/96 showing a slight budgetary expansion. Of the total, *current expenditure* which include statutory expenditure accounts for 85 per cent. Personnel expenditure constitutes about 56 per cent of the current expenditure while the share of the rest of the categories in current expenditure namely, purchases of goods and services, subsidies and other current transfers as well as interest payments, constitutes 27 per cent, 14 per cent, and 3 per cent, respectively. Domestic interest payments accounts for 86 per cent of total interest payments, while the rest is foreign. This is a reflection of the Government's policy to borrow domestically.

Capital expenditure which accounts for 15 per cent of total expenditure, increased by 27 per cent in fiscal year 1994/95 to about N$645 million in fiscal year 1995/96. This is an indication of the Government's commitment to development projects. The development portion of the budget takes about 90 per cent, while the remaining 10 per cent is allotted to operational capital expenditure. There is also an additional N$310 million funded by foreign grants for development projects, but this is spent outside the State Revenue Fund and is not included in the main budget.

The *projected gross budget deficit* for the fiscal year is set to be at N$512 million. After a grant of N$39 million, budget deficit amounted to N$474 million. This will be financed from domestic sources (N$282 million) and concessional borrowing (N$92 million) and cash drawdown of N$100 million. As a percentage of GDP, the net deficit is estimated to be 4.3 per cent of the projected GDP.

Government debt

Total *outstanding debt* ending March 1994 amounted to N$1 810 million, an increase of 36 per cent from the previous period ending March 1993. This is about 19 per cent of the Gross Domestic Product. The major contributor to the total is the domestic debt component which takes up 14 per cent of GDP. The increase in domestic debt is made up of the pre-independent debt at the Bank of Namibia totalling N$630 million followed by N$474 million in Government stock. Treasury bills increased by N$16 million to N$212 million in the year. Foreign debt constituted about 5 per cent of GDP. The major portion is the N$403 million long term stock issued before independence and held mainly by non-residents.

TABLE 5.1 STRUCTURE OF OUTSTANDING PUBLIC DEBT (IN N$ MILLIONS)

End of March	1993	1994
Foreign debt	**459.1**	**488.4**
Stocks	439.6	403.6
Other Loans	19.5	13.0
Long term stocks	-	55.7
Other loans	-	16.1
Domestic debt	**866.9**	**1 321.7**
Treasury Bills	195.6	212.3
Stocks	130.6	473.6
Bank of Namibia loan	524.3	629.9
Other loans	16.4	5.9
Total Debt	1 326.0	1 810.1
Foreign debt as % of GDP	6.0	5.0
Domestic debt as % of GDP	11.0	14.0

Source: Ministry of Finance

6. FOREIGN TRADE AND PAYMENTS

Overall balance of payments position

The overall balance in the external payments position improved in 1993 to N$298 million, and was provisionally estimated at N$266 million, or 3 per cent of GDP in 1994. The effects of the introduction of the Namibian currency and a positive net overall balance, raised foreign reserve assets during 1993 with N$298 million. A further increase in 1994 should raise the level to N$719 million.

Current account surplus widened by 29 per cent from N$582 million in 1993 to N$748 million, due to better exports performance and moderately higher transfer receipts. In relation to GDP, the surplus was 7 per cent in 1994, similar to the previous year.

The balance on capital account was a deficit of N$440 million in 1994. Higher levels of investment in pension funds, life assurance and unit trusts assets in South Africa remained the major reason for Namibia being a net exporter of long term capital.

TABLE 6.1 BALANCE OF PAYMENTS MAIN AGGREGATES 1990 TO 1994(a)

	CALENDAR YEARS				
	1990	1991	1992	1993	1994(b)
	- N$ MILLION -				
Balance on current account	**123**	**388**	**296**	**582**	**748**
Balance on merchandise trade	-83	259	225	399	586
Merchandise exports fob	2 809	3 351	3 826	4 214	4 692
Merchandise imports fob (excl duty)	-2 892	-3 092	-3 601	-3 815	-4 106
Net services	-655	-974	-1 067	-897	-913
Net income	105	266	78	197	155
Net transfers	756	837	1 060	883	920
Balance on capital account, excl reserves (c)	**-532**	**-513**	**-278**	**-175**	**-440**
Direct investment, net	73	315	230	78	88
Portfolio investment, net	-488	-872	-721	-453	-750
Pension funds	-18	-402	-536	-644	-694
Life assurance	-498	-400	-229	-65	-125
Other	28	-70	44	256	69
Other long term capital, net	94	125	47	-15	105
Official	96	102	4	56	5
Monetary authorities	---	---	80	101	95
Banks	-15	-19	-11	-9	-10
Other sectors	13	42	-26	-163	15
Other short term capital, net	-211	-81	166	215	117
Official	-270	270	-12	-27	-68
Banks	73	-403	235	220	224
Other sectors	-14	52	-57	22	-39
Balancing item (net errors & omissions) (d)	**504**	**91**	**-37**	**-109**	**-42**
Overall balance (e)	**95**	**-34**	**-19**	**298**	**266**
Change in reserves (f)	**-95**	**34**	**19**	**-298**	**-266**
	(In per cent of GDP)				
Current account balance	**2.1**	**5.8**	**3.7**	**7.0**	**7.3**
Overall balance	**1.6**	**-0.5**	**-0.2**	**3.6**	**2.6**

--- Indicates nil or less than N$500 000.
(a) *For the current account, a minus sign (debit) means a deficit, imports of goods and services, or income and transfers payable. A plus sign (credit) means a surplus, exports of goods and services, or income and transfers receivable. For the capital account (including reserves), a minus sign (debit) means a capital outflow (deficit), an increase in foreign financial assets, or a decrease in foreign liabilities. A plus sign (credit) means a capital inflow (surplus), an increase in foreign liabilities, or a decrease in foreign financial assets.*
(b) *Provisional*
(c) *Represents net identified capital transactions, other than in reserves.*
(d) *Represents the net errors and omissions in the current and capital account.*
(e) *Overall balance is equal to the current account balance, plus all identified capital transactions, excluding changes in reserves, plus net errors and omissions.*
(f) *For changes in reserves, a minus sign means an increase and a plus sign a decrease.*

The level of Namibia's foreign assets was N$10.5 billion at 31 December 1994, while foreign liabilities was N$8.9 billion. The main components of foreign assets are the pension funds and life assurance policies of Namibian residents, accounting for over 80 per cent of the total, while foreign direct investment makes up more than two-thirds of the total foreign liabilities.

Namibia's external public debt increased by 15 per cent during 1994, to a level of N$1.6 billion, or 15 per cent of GDP, by 31 December 1994. More than two-thirds of the total debt are being re-negotiated, as it comprises a pre-independence debt component with South Africa which is expected to be cancelled.

Current Account

Merchandise exports grew in nominal terms by 11 per cent in 1994. Most of the growth occurred in the food and live animals component (45 per cent). Exports of live animals rose by 45 per cent in 1994 from N$279 million a year earlier. This category accounted for 9 per cent of total merchandise exports in 1994, compared with 7 per cent in 1993.

Better prices were realised for live cattle, both for slaughter (up by 54 per cent) and open markets (up by 62 per cent), while the total number of cattle exported increased by 1 per cent to 182 000. Exporters of small stock gained from better prices (up by 29 per cent) and volumes (up by 10 per cent).

Exports of meat and meat preparations grew by 29 per cent in 1994, strongly influenced by cattle meat (29 per cent) and meat products (26 per cent). Higher prices and a 6 per cent rise in volumes, as production from the Oshakati abattoir came on stream, and boosted exports. Prices in South Africa rose sharply from the third quarter of 1994, by as much as 40 per cent.

Exports of unprocessed and semi-processed fish rebounded by 74 per cent in 1994 from an 8 per cent decline of the previous year. Hake represents the bulk of this category, and increased by 70 per cent, benefitting from higher prices. Lobster and crabs declined markedly by 52 per cent in 1994, mostly due to a very low export volume of crabs.

In value terms, mineral exports declined marginally from N$2 365 million in 1993 to N$2 353 million in 1994. Other mineral products, which include uranium, fluorspar, salt and arsenic, declined by 16 per cent. Diamond exports, a very important export commodity, experienced a negative growth rate of 2 per cent. The decline was mostly due to a 12 per cent drop to 1,160 million in the quantity of carats exported, somewhat offset by a 11 per cent increase in prices. Diamonds' share of total merchandise exports declined from 36 per cent in 1993 to 32 per cent in 1994, whereas its share of GDP fell from 18 per cent to 14 per cent. In recent years, most of the diamond-exports are to the United Kingdom and Belgium. The exports of copper and lead rose by 30 per cent and 26 per cent respectively, due to a surge in prices. Gold exports increased by 30 per cent, bolstered by volume and price increases.

Manufactured products recorded an export decline of 5 per cent in 1994, compared with 21 per cent growth in 1993. Value added in the fishing sector represents the bulk of this category, while canned pilchards, in turn, account for about three-quarters of the export proceeds of the fishing sector. The exports of canned pilchards increased by 25 per cent, as volumes (16 per cent) and prices (7 per cent) rose. Exports of pelagic fish meal fell by 41 per cent, through lower volumes. Other, non-fishing manufactured products decreased by 28 per cent.

Significant exports diversification is taking place in recent years, with the United Kingdom (mostly diamonds, meat and meat preparations) accounting for 34 per cent of total exports in 1993. The export share to South Africa (manufactured products, food and live animals, non-diamond minerals) is 27 per cent, while Japan (non-diamond mineral products) and Spain (food and live animals, meat and meat products, fish, lobster and crabs) are fast becoming major recipients of Namibian exports.

Merchandise imports grew in nominal terms by about 8 per cent in 1994, compared with the 1993 recession-year rate of 6 per cent. The composition of imports was largely dominated by consumer goods, namely foodstuffs and miscellaneous manufactures. The increase represented most of the commodity groups, especially machinery, office and communications equipment (up by 27 per cent) and other metal and metal products (up by 18 per cent).

South Africa remained the major source of Namibia's merchandise imports. Imports patterns have changed, however, from 1992 onwards, with the value of imports from non-SACU countries such as Ivory Coast, Germany and the United States of America becoming more significant. As a result, South Africa's share in total imports has declined over time, from 90 per cent in 1990 to 86 per cent in 1994.

A large deficit on *net services* had been a consistent feature of Namibia's balance of payments since 1990. The deficit is attributable mainly to increases in the net transport deficit (a deficit of N$592 million, on average, for the 1990 to 1994 period), as well as the net business, administrative, financial and communication services deficit (an average deficit of N$440 million). Since 1993, when non-resident travel arrivals increased by 55 per cent, the net services deficit had been increasingly offset by growing net travel services receipts.

In 1994 the net deficit on services increased by 2 per cent to N$913 million. Gross travel receipts increased by N$145 million over 1993, mostly due to tourism from South Africa, by N$47 million, and Germany, by N$38 million. Personal travel receipts, covering holiday and leisure, increased by N$117 million, while business travel receipts increased by N$28 million. Personal travel arrivals were up by 20 per cent, and their per capita spending increased by some 10 per cent. This was partly caused by the economic recovery in Europe, more particularly in Germany. Gross travel payments increased by N$28 million.

The net deficit in transport services increased by 11 per cent. This could be attributed to a rise of slightly more than 10 per cent on other transport services, reflecting growth in Namibia's total trading activity in 1994. Payments for the charter of fishing boats, especially for boats catching horse mackerel, increased by 12 per cent to N$301 million.

Net business, administrative, financial and communications services deficit increased markedly in recent years, in 1994 by 10 per cent. Most of the increase was a result of 12 per cent higher payments on services other than foreign development assistance.

Total exports of goods and non-factor services increased by 13 per cent from N$4.8 billion in 1993 to N$5.5 billion in 1994. Growth in services receipts (by 25 per cent) easily outpaced the 11 per cent growth in merchandise exports. Imports of goods and non-factor services increased by 8 per cent from N$5.3 billion to N$5.8 billion. Growth in services debits were slightly higher than growth in merchandise imports.

The resource gap, which is the difference between total trade in exports and imports of goods and non-factor services, narrowed from N$842 million in 1992 to N$307 million in 1994. The services share of total trade has been increasing since 1990, from 18 per cent to 22 per cent in 1994. The importance of trade to Namibia is further emphasised if expressed by total trade in goods and non-factor services as a percentage of GDP (1994; 110 per cent, 1993; 121 per cent).

Since 1990, Namibia's terms of trade (base year 1990 = 100) has shown a deteriorating trend, with the index falling to 82.9 in 1993. It then rebounded by 15 per cent to 95.5 in 1994. The trend reversal came about as export prices increased faster in 1994 than import prices.

Net investment income fell dramatically by N$50 million in 1994, as a rebound of N$84 million in payments on foreign direct investments in Namibia more than offset an increase in receipts from Namibian investments abroad. The substantial rise in direct investment payments reflected in large part the N$170 million in undistributed earnings, shown in the current account as an investment income outflow and in the capital account under direct investment inflows. Most of Namibia's investment income receipts in 1994 were on portfolio investment (pension funds; N$269 million and life assurance; N$235 million).

Net transfers in cash and kind increased moderately by 4 per cent to a surplus of N$920 million, or 9 per cent of GDP, in 1994 after a decline of 17 per cent in 1993. The major transfer items are foreign development assistance and Southern African Customs Union (SACU) receipts. On average, net transfers have been positive with a level of N$891 million, or 11 per cent of GDP, for the 1990-94 period.

SACU receipts, which are based on the level of merchandise imports, increased considerably (by 14 per cent) in 1994 from N$762 million in 1993, thus accentuating an increasing trend recorded in 1991. Foreign aid declined by 6 per cent, mostly due to a 9 per cent fall in aid received from foreign governments.

Capital account and foreign reserves

The capital account (excluding reserves) had been in deficit since 1990. Over this period, the deficit had been, on average, 5 per cent of GDP. It widened in nominal terms from N$175 million in 1993 to a provisional N$440 million, or 4 per cent of GDP, in 1994. The deficit was heavily influenced by portfolio equity investment outflows to South Africa, which rebounded 21 per cent to N$866 million.

Direct investment remained stable, from N$106 million in 1993 to N$105 million in 1994. A combined N$138 million increase in new equity capital (up by N$31 million) and reinvested earnings (up by N$107 million) by foreign direct investors was significantly offset by a N$117 million expansion in other capital outflow. Liabilities to direct investors decreased by N$77 million, and claims on direct investors rose by N$40 million. Direct investment abroad was N$17 million in 1994.

The main capital outflows are in investment in pension funds and life assurance assets held in South Africa. On average, these *portfolio investment* outflows were some N$663 million per annum for the 1990 to 1994 period, or 8 per cent of GDP. Financial transactions associated with pension funds dominate, although transactions in life assurance assets are also of significance. On a gross basis, pension fund outflows increased year-on-year by N$58 million, life assurance outflows increased by N$60 million, and unit trust outflows by N$41 million.

The government has moved to bring a portion of the funds progressively back, by amending the Pension Funds Act of 1956. By 31 December 1994, 15 per cent of all pension fund assets should have been repatriated to Namibia. By 31 March 1995 the Insurance Act of 1943 will be amended to include the acquisition of these type of assets by insurance companies. Initial response has been good, with more government long term Internal Registered Stock being acquired, as well as other investment activity in Swakopmund, Sossusvlei, Etosha and Windhoek. The category referred to in the Balance of Payments as *other capital* - long term, jumped from an outflow of N$15 million in 1993 to an inflow of N$105 million in 1994. The foreign liabilities of the monetary authorities rose by N$95 million (1993: N$101 million), as the Bank of Namibia facility with the South African Reserve Bank increased due to the capitalisation of interest and redemptions on Namibia's pre-independence debt. Banks (commercial banks and building societies) repaid N$10 million (1993: N$9 million) of their long term liabilities, while the rest of the sectors (mostly retail and mining) increased theirs by N$15 million (1993: repaid N$163 million).

Short term capital is mostly influenced by transactions between banks and their parent companies. In 1994 there was inflows of N$117 million (1993: N$215 million), as commercial banks especially increased their short-term foreign liabilities by N$223 million (1993: increased by N$74 million) and reduced their foreign assets by N$1 million (1993: reduced by N$146 million). The resident official sector raised its short-term foreign assets by N$68 million during 1994.

The substantial improvement in the current account of the balance of payments offset the deficit on the capital account and was responsible for a N$128 million increase in foreign reserves in 1994. The withdrawal of rand from circulation, as more Namibia dollars were introduced, ensured that an additional N$138 million became part of the national reserve assets. The level of the reserves rose, therefore, by a total of N$266 million to N$719 million at 31 December 1994. This is equivalent to 6 weeks of merchandise imports and non-factor services, as compared to 4 weeks at the end of 1993.

External debt

Namibia's foreign public debt increased by 15 per cent during 1994, to a provisional level of N$1,6 billion, or 15 per cent of GDP, by the end of 1994. Most of the net increase of N$201 million was due to new Internal Registered Stock being acquired by non-residents (net N$140 million), and a N$95 million rise in the Bank of Namibia/South African Reserve Bank facility, as more interest payments and capital redemptions on the pre-independence loans were capitalised.

At the end of 1994, the maturity of over 99 per cent of the overall official foreign debt was long term, while 98 per cent was denominated in Rand. The level of private external debt (excluding supplier credits) was provisionally estimated at N$46 million, which gives a sectoral split of 97 per cent as official debt, with the remainder as private debt. Namibia's debt service ratio, expressed as a percentage of total exports of goods and non-factor services, was only 1.7 per cent in 1994 representing a very small burden on its balance of payments. The ratio was 3.2 per cent in 1993, influenced by significant capital repayments by the private sector.

At the end of 1994, initial talks between the Heads of State of Namibia and South Africa culminated in the South African authorities agreeing in early 1995 to service the pre-independence debt. The finer details as well as a possible new schedule of interest and capital repayments need still to be worked out and agreed upon. The re-negotiated, pre-independence debt constitutes N$1,078 million, equivalent to 68 per cent of Namibia's official debt, at end 1994.

International Investment Position

Whereas the current and capital accounts measure flows, or transactions, during a calendar year, the international investment position (IIP) records the levels, or stocks, of external assets and liabilities of a country, usually at the end of each calendar year. The IIP reconciles the opening values of foreign assets and liabilities with the closing values by showing, in

TABLE 6.2 FOREIGN DEBT OF GENERAL GOVERNMENT AND BANK OF NAMIBIA: TRANSACTIONS AND LIABILITIES

(N$ million)

BALANCE OF PAYMENTS	1989	1990	1991	1992	1993	1994(a)
Current account						
Portfolio investment - interest paid (incl. interest paid on Namibia's behalf and capitalised)						
General Government Rand stock, Treasury Bills, Internal Registered Stock and facility with SA Reserve Bank		-45	-94	-12	-23	-50
Bank of Namibia facility with SA Reserve Bank		---	---	-51	-49	-43
Other investment - interest paid or capitalised						
General Government Rand and non-Rand loans		-20	-4	-2	---	-7
Bank of Namibia capitalised interest		---	---	-1	-9	-11
Capital account (net changes in liabilities)						
Portfolio investment, General Government, long term debt,		40	-32	1	206	105
Portfolio investment, General Government, short term debt,		...	2	25	-13	-10
Other capital, General Government, long term loans,		99	110	10	60	10
Other capital, Monetary Authorities, long term loans,		...	...	80	101	95

INVESTMENT POSITION	1989	1990	1991	1992	1993	1994(a)
Total foreign debt outstanding as at 31 December	**673**	**817**	**905**	**1 020**	**1 374**	**1 575**
Portfolio investment, General Government, long term	457	497	464	465	671	776
Portfolio investment, General Government, short term		---	2	27	14	4
Other capital, General Government, long term:						
Rand loans issued in South Africa	47	40	33	26	75	69
Government facility with SA Reserve Bank	---	187	356	---	---	---
Non-Rand loans	169	93	49	---	11	28
Other capital, Monetary Authorities, long term:						
Bank of Namibia facility with SA Reserve Bank	---	---	---	502	603	698

--- Indicates nil or less than N$500 000

(a) Provisional

TABLE 6.3 INVESTMENT POSITION MAIN AGGREGATES 1990 TO 1994

	1990	1991	1992 (N$ Million)	1993	1994(a)
Foreign assets at end of year	**5 399**	**6 441**	**6 914**	**8 746**	**10 484**
Direct investment abroad	204	269	249	277	311
Portfolio investment	4 023	5 094	5 796	7 374	8 688
Other assets	967	907	717	641	766
Reserve assets	205	171	152	454	719
Foreign liabilities at end of year	**7 292**	**7 748**	**8 584**	**7 952**	**8 937**
Direct investment in Namibia	5 245	5 802	6 540	5 629	6 067
Portfolio investment	565	501	561	700	899
Other liabilities	1 482	1 445	1 483	1 623	1 971
Net foreign position at end of year	***-1 893***	***-1 307***	***-1 670***	***794***	***1 547***

(a) Provisional

addition to transactions, all other changes due to valuations and any other adjustments not resulting from transactions. Table 6.3 provides more details on Namibia's IIP.

Namibia's foreign assets increased by N$1.7 billion or by 20 per cent from end 1993 to N$10.5 billion at end 1994, reflecting mainly the significant rise in value of portfolio investments, especially pension fund assets held in South Africa. These assets have more than tripled in value since 1990, while the market value of life assurance policies invested in South Africa have more than doubled over the same period.

Namibia's foreign liabilities rose by N$1.0 billion or by 12 per cent to N$8.9 billion since 31 December 1993, due mainly to a slower rise in the market value of equity investments by foreign direct investors. The reduction in the market value of Namibia's foreign liabilities in 1993 is explained by the acquisition of half of the equity shares of Namibia Diamond Corporation (Pty) Ltd by the Namibian Government. Since that year Namibia has moved into a net asset position regarding its foreign assets and liabilities, as can be seen from the last line of Table 6.3.

The main components of foreign assets are pension funds and life assurance policies of Namibian residents, accounting for over 80 per cent of the total. Foreign direct investment in Namibia makes up more than two-thirds of the total foreign liabilities of Namibia.

Exchange rates and policy

Changes in the nominal external value of the Namibia dollar reflect developments in the South African rand exchange rate and are determined on the basis of cross rates of the rand against the currencies concerned in the international exchange markets.

As a result, over the first seven months of 1994, the Namibia dollar depreciated nominally from N$ 3.37 per US dollar in December 1993 to N$ 3.67 in July 1994, mirroring sporadic plunges in the value of the rand, which often are due to political and financial uncertainty in South Africa. The Namibia dollar firmed somewhat to N$ 3.55 per US dollar by December 1994.

Namibia forms part of the Common Monetary Area (CMA), which is an exchange control territory comprising Lesotho, Namibia, South Africa, and Swaziland. The currency, the Namibia dollar, is freely convertible and pegged to the South African rand, at par. Under the CMA Agreement, the rand is also legal tender in Namibia. In its relations with countries outside the CMA, Namibia applies exchange controls that are the same as those of South Africa. No restrictions are applied to payments within the CMA, and, in principle, these are not controlled. Capital can circulate freely between member states of the monetary area. Financial rand may not be acquired by, or held for account of, any resident of a CMA member country. However, foreigners (to CMA) can import their capital into Namibia in discounted financial rand and repatriate profits in commercial rand.

7. ANNUAL REPORT OF THE OFFICE OF THE REGISTRAR OF BANKS AND BUILDING SOCIETIES IN TERMS OF SECTION 47 OF THE BANKS ACT, 1965 (ACT NO 23 OF 1965) AND SECTION 77 OF THE BUILDING SOCIETIES ACT, 1986 (ACT NO 2 OF 1986) FOR THE PERIOD 1 JANUARY THROUGH DECEMBER 1994

During 1994, the Office of the Registrar of Banks and Building Societies gave further focus on the work to strengthen its regulatory and supervisory roles. Major efforts were directed at re-examining and reevaluating the adequacy and the relevance of the existing legislative framework for bank surveillance and banking industry supervision in Namibia, and the effectiveness of the operational apparatus and tools available to the Office of the Registrar to carry out such functions. The major objectives are to consolidate and to improve on the experiences, gains and progress made during the past years, and to prepare the banking institutions and the banking industry in Namibia for an accelerated , though orderly and equitable, development, growth and progress. Strategies and measures are being examined to further promote domestic competition in order to foster the pricing, allocative and operational efficiency within the financial sector. To complement these strategies and measures, the prudential regulation and bank supervision approaches and practices would be modernised and brought into line with international standards. The Office of the Registrar will take further initiative to consult with and solicit views from various parties, while taking into account the current and future needs and aspirations of the Namibian people in the progression and development of the economic, financial and the banking systems of the country.

Several significant events took place during the period under review. In April 1994, a provisional registration under the Banks Act 1965 was granted to the City Savings and Investment Bank Ltd and the City Savings and Investment Bank Holdings Ltd as a bank and a bank holding company respectively. The registration of the new bank brought the number of banks operating in Namibia back to five (5). In November 1994, the Building Societies Amendment Act, 1994 was promulgated. The main purpose of the amendment is to facilitate the transformation of building societies into fully fledged banking institutions. Following this, the Office of the Registrar received an application from a building society to become a bank licensed under the Banks Act, 1965.

In order to ensure compliance with the legal and financial requirements of the Banks Act, 1965, and the Building Societies Act, 1986, institutions are required to submit various returns and reports on a regular basis to the Division for analysis and compilation of statistics.

The Board of the Bank of Namibia is regularly updated on the conditions and trends in the banking industry and building societies through a supervisory quarterly report and the Division has been working on improving the design and content of the said report.

The Division has monthly computed liquid assets and minimum reserve balance requirements for each institution to monitor compliance with the said requirements. Work has also been done on designing forms for capital adequacy and sectorial distribution of loans.

To verify the information submitted by the institutions and to assess the institutions' management and internal control systems, two routine on-site inspections were conducted during the period under review. The first inspection covered the main features of the management and control systems of the bank concerned, while the second one focused on the asset growth, capital adequacy, internal control systems within the credit function and future capital requirement. Additionally, thirty three (33) on-site meetings to monitor developments were also held.

Documentation for on-site inspection was continuously updated with a view to be in line with the new Draft Banking Institutions Bill while a system which will contain important and updated information for each institution was established.

Regional groupings of bank supervisors have emerged worldwide over a period of time since the formation of the Bank of International Settlements' (BIS) Committee of Bank Supervisors. This led to the establishment of the East and Southern Africa Bank Supervisors (ESAF) Group in July 1993. The objective of ESAF, inter alia, is to create a forum for the exchange of experiences and information as well as offering training for bank supervisors in the group.

As per earlier agreement, the first ESAF-Group training course in banking supervision was held in September 1994 at the South African Reserve Bank in Pretoria. Two staff members of the Office of the Registrar participated in the said course.

Further, the training of bank supervisors at the Bank of Namibia is partly in the ambit of international cooperation with other supervisory authorities as evidenced by the attachments of our staff concluded with the Bank of England, the South African Reserve Bank, the Federal Reserve System of the USA and the State Bank of Pakistan. Furthermore, following requests from the Bank of Namibia, attachment offers were received from the Bank of Botswana and the Reserve Bank of Zimbabwe under the auspices of the Southern African Development Community (SADC).

The Basle Committee on Bank Supervision organises the International Conference of Bank Supervisors (ICBS) every second year. The 8th such conference at which the Bank of Namibia was represented by the Registrar of Banks and Building Societies and the Manager for Banking Supervision was held in October 1994, in Vienna, Austria.

As secretariat for the ESAF-Group, the Office of the Registrar has, inter alia, been collecting, compiling and distributing data on supervisory issues for these now fourteen (14) member countries as was requested by the Bank for International Settlements and also prepared the agenda on the ESAF meeting prior to the above mentioned Eighth International Conference of Bank Supervisors.

The Office of the Registrar also acquired the Organization for Economic Cooperation and Development (OECD) task force recommendations on money laundering and distributed these to the members of ESAF during the year under review.

THE INSTITUTIONS

Structure:

The Namibian banking sector at year-end consisted of five commercial banks, namely:

- Bank Windhoek Ltd
- City Savings and Investment Bank Ltd
- Commercial Bank of Namibia Ltd
- First National Bank of Namibia Ltd
- Standard Bank Namibia Ltd,

while there was no change in the number of building societies; viz.

- Namib Building Society and
- South West Africa Building Society (SWABOU)

Performance and condition:

Banks:

Banks' total assets amounted to N$4.7 billion (N$3.5 billion: 1993) at the closing of the year under review. This represented an increase of 32.2 per cent from the preceding year. The growth occurred mainly in loans and advances which, in turn, grew by 34.5

per cent and constituted 79.2 per cent of the total assets.

The overall growth in the sectorial balance sheet could also be partly attributed to the addition of City Savings and Investment Bank Ltd which commenced its business during the period under review.

Table 1: Key Data: Banks

	As at end of (Amounts in N$'000)		
	1992	1993	1994
Number of Banks	5	4	5
Number of Employees	2 079	2 096	2 391
Total Deposits	2 535 014	2 980 577	3 766 023
Total Loans	2 266 457	2 775 119	3 731 863
Loan-Deposit Ratio	89.4%	93.1%	99.1%
Branch Network	94	90	96
ATM Network	68	85	98

Liquid assets held increased by 10.4 per cent to N$507 million (N$458 m: 1993) and have been well above the statutory requirement throughout the period under review.

Banks continued to invest a substantial amount of their liquid assets in local assets such as Treasury Bills and short-term government stocks. This could be an indication of the banks' confidence in the Government and/or the lack of alternative liquid assets instruments in which they could invest their funds. If the former prevails and continues for years to come, it could facilitate the development and the promotion of Namibia's money market and financial instruments.

The growth in loans and advances was primarily funded through deposits which - as indicated in Tables 1, 2A and 2B - increased by 26.4 per cent from N$2.9 billion to N$3.7 billion at year-end. However, the growth in advances continued to outpace that in deposits, as clearly shown by the increase in the loans and advances to deposits ratio, i.e. 99.1 per cent (93.1%:1993). This ratio is considered to be high since, if the required liquid assets are deducted from the funding base, it exceeds the 100 per cent bench mark and indicates that banks are borrowing and/or are using a portion of their capital to finance their lending operations.

Table 2A: Loans & Deposits of the Banking System

	As at end of (N$'000)		
	1992	1993	1994
Deposits:			
Banks	2 535 014	2 980 577	3 766 023
Building Societies	410 155	418 400	589 200
	2 945 169	3 398 977	4 355 223
Loans:			
Banks	2 266 457	2 775 119	3 731 863
Building Societies	628 276	716 600	863 700
	2 894 733	3 491 719	4 595 563
Resource Surplus (+)/ Gap (-)	50 436	(92 742)	(240 340)
Loan-Deposit Ratio	98.3%	102.7%	105.5%

Table 2B: Banks Deposits by Type

	As at end of/Annual Change				As at end of 1994
	1992		1993		
	(N$'000)	%	(N$'000)	%	(N$'000)
Current	998 897	26.7%	1 266 039	25.7%	1 590 853
Fixed	1 157 604	14.4%	1 324 524	26.8%	1 679 242
Savings	335 444	2.8%	344 842	22.6%	422 836
Others	43 069	4.9%	45 172	61.8%	73 092
Totals	2 535 014	17.6%	2 980 577	26.4%	3 766 023

As noted above, deposits were the main source of funding of this sector, and constituted 82.7 per cent of the total liabilities and capital. The trend of the liability maturity structure towards short-term continued during the period under review. Capital and reserves were up by 38.0 per cent from N$226 million in 1993 to N$312 million in 1994. Capital and reserves represented 6.7 per cent of total assets while loans and advances contributed to over 70 per cent of the banks' total operating income during the period under review.

Building Societies:

The two building societies were profitable, despite their squeezed earning margins due to high funding costs and lower earnings from their main business, mortgage lending.

The total assets of the building societies grew by 18 per cent to N$1 billion during the period under review. The increase was attributable to an increase of 20.5 per cent in loans and advances which constituted 82.6 per cent of the total assets.

Loans and advances to deposit and borrowing ratio was 123 per cent at year-end compared to 108.4 per cent in 1993. This indicates that building societies resorted to their capital base to finance their lending operation.

Table 3: Key Data: Building Societies

	As at end of (Amounts in N$'000)		
	1992	1993	1994
Number of Building Societies	2	2	2
Number of Employees	160	201	214
Total Deposits	410 155	418 400	589 200
Total Loans	628 276	716 600	863 700
Loan-Deposit Ratio	153.2	171.3	146.6
Loan-Deposit & Borrowing* Ratio	108.4%	108.4%	123.0%
Branch Network	7	8	9
ATM Network	4	3	2

**Includes Negotiable Certificates of Deposits (NCD's), subscription and fixed period shares.*

Liquid assets held increased slightly by 3.1 per cent (43.3%: 1993) to N$111.6 million and was above the statutory requirement. The latter grew by 33.7 per cent to N$100 million reflecting the growth in the liabilities to the public.

As with banks, the major source of funding for the societies, as indicated in Table 3 above, was deposits which increased by 40.8 per cent to N$589.2 million and constituted approximately 56.3 per cent of the societies' total liabilities and capital. The maturity structure of liabilities was biased towards short-term with 42.3 per cent in short-term, and 35.9 per cent in medium-term.

Capital and reserves increased by 45.9 per cent from N$204.1 million to N$297.8 million during the period under review.

8. STAFF AND ORGANISATION

The Board of Directors extend their deepest appreciation to all Bank staff for their continuous dedication, loyalty and excellent service. The strong commitment to their duties by the staff has resulted in the Bank achieving its goal of "becoming a fully-fledged central bank" in a short period of just on four years.

Organisation

As at the end of January 1995 the Bank had a total staff complement of 141. During 1994 the Bank reorganised its structure as presented in the chart below.

Because of the changing environment in which the Bank is operating, it was found necessary to re-organise the structure. The objective was to further enhance the Bank's management capabilities and to position the Bank, organisationally, to meet future challenges.

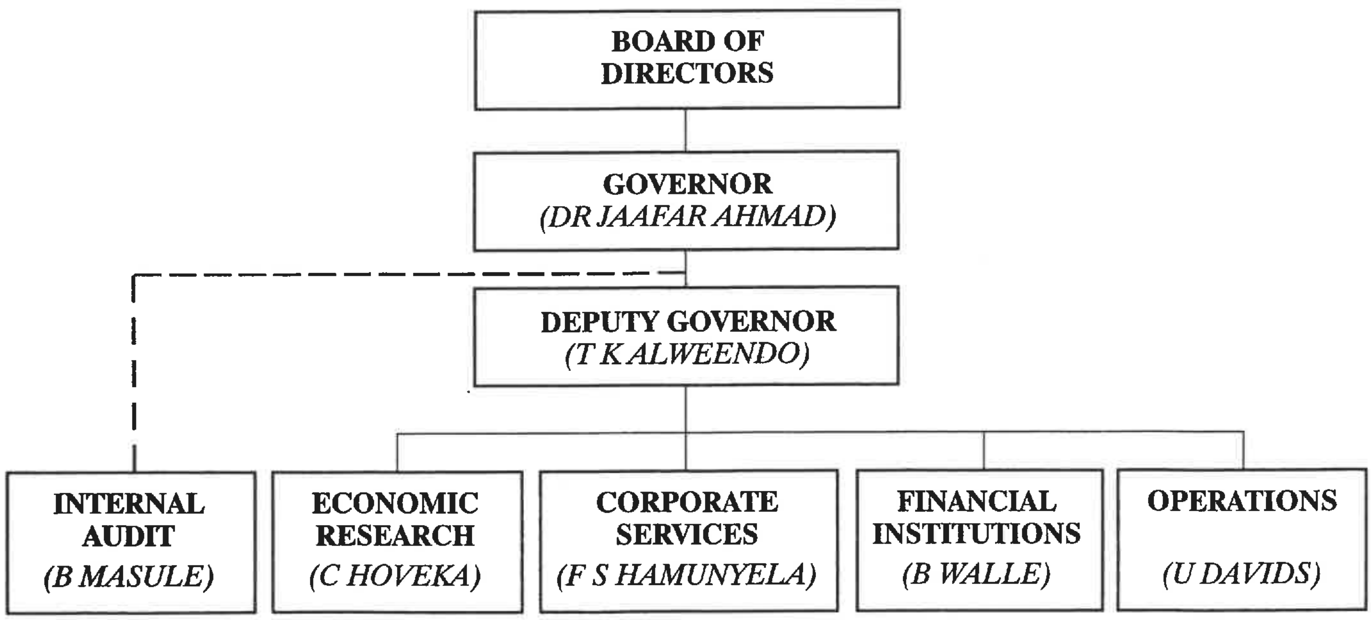
One of the future challenges the Bank will have to face is the fact that, in all probability, the Government will become more dependent on the Bank as a primary source of economic data. This in turn will subject the Bank to closer public scrutiny. The Bank will therefore have to ensure that a high standard of performance is maintained.

Staff Training and Development

Staff training and development continue to be one of the Bank's priorities. During 1994 the Bank spent 9 per cent of its administrative expenditure on training. Apart from on-the-job training, our staff have also attended training courses offered by international organisations, the International Monetary Fund being amongst others.

Our Human Resources division will continue to equip our staff with the necessary skills to enable them to achieve an even greater level of efficiency.

ORGANISATION STRUCTURE



9. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 1995

Page

GOVERNORS' STATEMENT

Pursuant to Section 9(5) of the Bank of Namibia Act, 1990 we confirm that:

1. We are responsible for the preparation of the annual financial statements and for the judgements used therein;

2. We are responsible for establishing and maintaining a system of internal control designed to provide assurance as to the integrity and reliability of the Bank's financial reporting;

3. In our opinion, the annual financial statements for the financial year ended 31 January 1995 fairly present the financial position of the Bank and the results of its operations.

....

GOVERNOR *DEPUTY GOVERNOR*

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF THE BANK OF NAMIBIA

We have audited the annual financial statements set out on pages 33 to 38. These annual financial statements are the responsibility of the Bank's Board members. Our responsibility is to report on these annual financial statements.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the annual financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion these annual financial statements fairly present the financial position of the Bank at 31 January 1995, and the results of its operations for the year then ended in the manner required by the Bank of Namibia Act, 1990.

Deloitte & Touche	*Price Waterhouse Meyernel*
Chartered Accountants	*Chartered Accountants*
WINDHOEK	*WINDHOEK*
....	....
15 March 1995	*15 March 1995*

BANK OF NAMIBIA
APPROPRIATION ACCOUNT
FOR THE YEAR ENDED
31 JANUARY 1995

	Notes	1995 N$	1994 N$
Net profit from operations after meeting all current expenditure and making provisions as required by Section 6 of the Bank of Namibia Act, 1990. ('the Act')		27 520 086	4 059 893
Less: Transfer to Reserves:			
General Reserve under Section 7(1) of the Act	3	6 880 022	1 014 973
Building Reserve under Section 7(2) of the Act	6	10 640 064	–
Surplus paid to Government under Section 7(3) of the Act.		10 000 000	3 044 920

BANK OF NAMIBIA
BALANCE SHEET AT
31 JANUARY 1995

	Notes	1995 N$	1994 N$
CAPITAL EMPLOYED			
Capital	2	30 000 000	30 000 000
General Reserve	3	21 375 535	14 495 513
Revaluation Reserve	4	25 064 928	1 387 072
Special Reserve	5	2 535 000	2 535 000
Building Reserve	6	12 843 928	2 203 864
Capital and Reserves		91 819 391	50 621 449
Currency in Circulation		292 299 496	187 602 898
Deposits	7	503 175 470	411 135 242
Long Term Loan Facility	9	698 464 486	603 061 173
Other Liabilities		12 037 569	9 569 624
		1 597 796 412	1 261 990 386
EMPLOYMENT OF CAPITAL			
Rand Cash		5 396 076	10 693 920
Investments			
Rand Currency		425 202 538	456 070 458
Other Currencies		412 504 625	142 673 154
Loans and Advances			
Government	9	721 555 561	620 917 903
Other		2 806 373	1 624 836
Other Assets		30 331 239	30 010 115
		1 597 796 412	1 261 990 386

....

DR JAAFAR AHMAD
GOVERNOR

15 March 1995

....

U DAVIDS
CHIEF FINANCIAL OFFICER

15 March 1995

BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 JANUARY 1995

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared on the historical cost basis. The annual financial statements have also been prepared to comply with the requirements of the Bank of Namibia Act, 1990. The principal accounting policies which have been consistently applied in all material respects, are set out below:

1.1 Fixed assets

Fixed property is stated at cost and is not depreciated. All other fixed assets are depreciated to write off their cost over their estimated useful lives on the straight line basis.

1.2 Investments

Investments are adjusted to take account of discounts earned or premiums paid, over their remaining life, so that book value at maturity equals the redemption value.

Interest from investments is accounted for on the accruals basis.

1.3 Foreign Assets and Liabilities

In terms of Section 32 of the Bank of Namibia Act, 1990, foreign assets and liabilities are translated at year end exchange rates and any gains or losses are transferred to the Revaluation Reserve account.

1.4 Currency Inventory Account

The costs of new Namibia bank notes and coins purchased by the Bank are capitalised in the Currency Inventory Account and expensed on issue of the currency.

2. CAPITAL

	1995 N$	1994 N$
Authorised capital	40 000 000	40 000 000
Issued capital	30 000 000	30 000 000

Arrangements have been made between the Government and the Bank to increase the Bank's issued capital by N$10 000 000 during the forthcoming financial year.

BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
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	1995 N$	1994 N$
3. GENERAL RESERVE		
Opening Balance	14 495 513	703 370
Transfer from Appropriation Account	6 880 022	1 014 973
Transfer from Special Reserve	–	4 632 646
From Foreign Donor	–	8 144 524
Closing Balance	21 375 535	14 495 513
4. REVALUATION RESERVE		
Opening Balance	1 387 072	201 795
Revaluation of Foreign Assets	23 677 856	1 185 277
Closing Balance	25 064 928	1 387 072
5. SPECIAL RESERVE		
Opening Balance	2 535 000	1 375 485
From Foreign Donor	–	5 792 161
Transfer to General Reserve	–	(4 632 646)
Closing Balance	2 535 000	2 535 000

This reserve has been created to meet the costs of producing the national currency.

	1995 N$	1994 N$
6. BUILDING RESERVE		
Opening Balance	2 203 864	2 203 864
Transfer from Appropriation Account	10 640 064	–
Closing Balance	12 843 928	2 203 864

This reserve has been created to meet the costs of building new headquarters for the Bank.

BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
31 JANUARY 1995

	1995 N$	1994 N$
7. DEPOSITS		
Government	461 181 512	385 014 472
Domestic Bankers' Reserve	31 813 000	24 792 000
Other	10 180 958	1 328 770
	503 175 470	411 135 242
8. OTHER ASSETS		
Fixed assets		
Movable assets		
Cost	11 325 695	11 041 087
Accumulated Depreciation	4 771 979	2 462 185
Net Book Value	6 553 716	8 578 902
Immovable property - at cost	6 213 485	6 866 233
	12 767 201	15 445 135
Currency Inventory Account	9 425 779	6 439 825
Accounts Receivable	8 078 034	8 072 946
IMF - Special Drawing Rights	60 225	52 209
	30 331 239	30 010 115

9. LONG TERM LOAN FACILITY AND LOAN TO GOVERNMENT

The Government of the Republic of South Africa has accepted the responsibility for meeting the Bank's obligations in respect of the payment of amounts due under the loan. A consequential arrangement regarding the Bank's loan to the Government of the Republic of Namibia will be made.

BANK OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
31 JANUARY 1995

	1995 N$	1994 N$
10. **COMMITMENTS**		
10.1 **Capital Expenditure**		
Contracted	–	115 446
Authorised but not yet contracted:		
New Bank Headquarters	15 000 000	2 000 000
Other	832 758	1 896 410
10.2 **Issue of Namibian Currency**		
Contracted	–	2 535 000
	15 832 758	6 546 856

These commitments are to be financed from internal resources.

10.3 **Forward Exchange**

The Bank has entered into a forward exchange arrangement whereby an amount of YEN 342 787 878 (inclusive of interest) is repayable, at exchange rates estimated by the Bank, in six bi-annual instalments commencing on 2 January 1996.

10.4 **Guarantees**

The Bank quarantees a percentage of housing loans granted to employees by certain financial institutions. Fifty per cent of the guarantee is given by way of collateral security in the form of deposits at the respective institutions and the balance by way of written obligation from the Bank.

11. **PENSION FUND**

Pensions are provided for employees by a separate Pension Fund to which the Bank contributes. The Pension Fund is governed by the Pension Fund Act. The Pension Fund is in the nature of a defined benefit plan where the retirement benefits are determined with reference to the employee's pensionable remuneration and years of service. All employees contribute to the Pension Fund.

The Fund is subject to an actuarial valuation every three years. Any shortfall will be made good by the Bank as recommended by the actuaries. A valuation was undertaken in March 1993 and no adjustments were recommended.

10. STATISTICAL APPENDIX

Table 1: Main Aggregates

Table 2: Gross Domestic Product by Activity, at Current Market Prices

Table 3: Gross Domestic Product by Activity, at Constant 1990 Prices

Table 4: Expenditure on Gross Domestic Product, at Current Market Prices

Table 5: Expenditure on Gross Domestic Product, at Constant 1990 Prices

Table 6: Gross Fixed Capital Formation by Activity, at Constant 1990 Prices

Table 7: Gross Fixed Capital Formation by Activity, at Current Prices

Table 8: Balance of Payments Current Account

Table 9: Balance of Payments Capital Account

Table 10: International Investment Position (Market values) at end of period

Table 11: Recorded Merchandise Imports CIF by Commodity Group

Table 12: Recorded Merchandise Imports CIF by Country of Immediate Origin

Table 13: Namibia's 1993 Exports FOB, Countries of Destination and Commodity Dissection

Table 14: Namibia's Major Trading Partners, 1993

Table 15: Merchandise Exports FOB by Commodity Group

Table 1. Main Aggregates

	1990	1991	1992	1993	1994 (P)
A. Current prices- N$ millions					
Compensation of employees	2480.6	2928.8	3490.4	3775.5	4237.9
Consumption of fixed capital	958.6	1057.5	1163.5	1203.6	1393.7
Gross operating surplus	1662.7	1750.3	2137.2	2071.4	3201.6
Gross domestic product at factor cost	**5101.9**	**5736.6**	**6791.1**	**7050.5**	**8833.2**
Taxes on production and imports	886.6	970.7	1225.9	1425.7	1520.3
Subsidies	-59.6	-68.4	-122.6	-103.5	-104.6
Gross domestic product at market prices	**5958.9**	**6638.9**	**7894.1**	**8372.6**	**10248.9**
Primary incomes					
receivable from the rest of the world	484.5	671.5	581.6	705.1	777.3
payable to the rest of the world	-391.1	-415.4	-509	-515.2	-625.8
Gross national income at market prices	**6052.3**	**6895**	**7966.7**	**8562.5**	**10400.4**
Current transfers					
receivable from the rest of the world	1037.8	1209.7	1463.1	1327.5	1410.0
payable to the rest of the world	-358.6	-377.4	-425.4	-451.3	-499.1
Gross national disposable income	**6731.5**	**7727.3**	**9004.4**	**9438.7**	**11311.3**
Private consumption expenditure	3365.8	3945.1	4227.3	4736.5	5388.2
Government consumption expenditure	1798	2235.7	2784.4	2900.3	3036.2
Gross domestic saving of which:	1521.6	1552.7	1990.5	1727.1	2340.4
Net domestic saving	566.2	503.8	844.9	544.4	928.2
Appropriation of disposable income	6685.4	7733.5	9002.2	9363.9	10764.8
B. Current prices - N$ per capita					
GDP at market prices	4360	4709	5433	5585	6629
Gross national income at market prices	4428	4890	5783	5712	6727
C. Constant 1990 prices - N$ millions					
GDP at market prices	5958.8	6351.7	6824	6692.1	7059.8
-annual percentage change	0.4	6.6	7.4	-1.9	5.5
Real GNI	6052.3	6264.9	6232.3	6088.7	6988
-annual percentage change	2.3	3.5	-0.5	-2.3	14.8
D. Constant 1990 prices - N$ per capita					
GDP at market prices	4360	4505	4697	4464	4566
-annual percentage change	-2.7	3.3	4.3	-5.0	2.3
Real GNI	4428	4443	4289	4062	4520
-annual percentage change	-1.5	0.3	-5.3	-5.3	11.3

P- provisional
Source: Central Statistics Office

Table 2. Gross Domestic Product by Activity Current Prices - N$ Millions

Industry	1990	1991	1992	1993	1994(P)
Agiculture	520.0	603.3	505.9	559.9	976.3
Commercial	359.1	401.4	412.3	421.5	703.0
Subsistance	160.9	201.9	93.6	138.4	273.3
Fishing	89.9	120.6	194.8	232.6	312.6
Mining	1084.3	1103.6	1122.8	866.3	1454.7
Diamond mining	553.9	722.4	786.0	607.6	1037.4
Other Mining and quarrying	530.4	381.2	336.8	258.7	389.0
Primary Industries	**1694.2**	**1827.5**	**1823.5**	**1658.8**	**2717.3**
Manufacturing	372.9	359.0	503.1	656.2	832.5
Meat processing	43.8	56.7	63.7	69.8	76.1
Fish processing	139.7	86.0	193.8	316.4	453.1
Other manufacturing	189.4	216.3	245.6	270.0	303.3
Electricity and water	105.1	105.5	162.2	97.6	121.6
Construction	141.8	133.6	198.3	224.7	243.8
Secondary industries	**619.8**	**598.1**	**863.6**	**978.5**	**1197.9**
Wholesale and retail trade, repairs	420.0	470.4	580.8	640.5	723.1
Hotels and restaurants	78.3	96.0	123.3	129.3	179.0
Transport, and communication	281.9	304.9	357.2	398.1	412.1
Transport and storage	164.0	190.4	215.3	245.4	258.3
Post and telecommunications	117.9	114.4	141.9	152.7	153.8
Finance, real estate, business services	591.9	681.7	825.3	922.4	1046.9
Financial intermediation	191.2	236.6	260.4	349.4	393.1
Financial services indirectly measured	-158.5	-193.8	-211.1	-297.5	-334.5
Realestate and business services	559.2	638.9	776.0	870.5	988.3
Owner-occupied dwellings	380.7	436.0	526.7	586.3	665.6
Other real estates and bussiness services	178.5	201.9	249.3	284.2	322.7
Community, social and personal services	66.0	75.4	84.4	97.5	111.7
General government	1276.3	1579.6	1977.5	2111.4	2336.1
Other producers	137.5	156.9	188.4	210.9	239.4
Tertiary industries	**2851.9**	**3364.9**	**4136.9**	**4509.6**	**5048.3**
All industries at basic prices	5165.9	5790.5	6824	7146.9	8963.5
Taxes on international trade	330.6	365.3	416.5	457.4	398.1
Other taxes on products	462.4	483.2	653.7	768.4	887.1
GDP at market prices	**5958.9**	**6639**	**7894.2**	**8372.7**	**10248.7**

P- Provisional
Source: Central Statistics Office

Table 3. Gross Domestic Product by Activity Constant 1990 Prices- N$ Millions

Industry	1990	1991	1992	1993	1994(P)
Agriculture	520.0	548.2	432.0	442.6	524.9
Commercial	359.1	366.1	356.8	341.0	349.8
Subsistance	160.9	182.1	75.2	101.6	175.1
Fishing	89.9	100.6	186.2	267.8	286.9
Mining and quarrying	1084.3	1295.4	1442.3	1128.1	1246.5
Diamond mining	553.9	852.4	1044.7	762.2	844.2
Other Mining and quarrying	530.4	443.0	397.6	365.9	402.3
Primary Industries	**1694.2**	**1944.2**	**2060.5**	**1838.5**	**2058.3**
Manufacturing	372.9	329.5	387.4	441.3	480.4
Meat processing	43.8	45.0	46.3	47.6	49.0
Fish processing	139.7	91.8	145.0	191.8	221.5
Other manufacturing	189.4	192.7	196.1	201.9	209.9
Electricity and water	105.1	95.5	132.9	62.3	76.5
Construction	141.8	119.1	162.6	171.6	172.5
Secondary industries	**619.8**	**544.1**	**682.9**	**675.2**	**729.4**
Wholesale and retail trade, repairs	420.0	420.0	441.0	447.6	456.5
Hotels and restaurants	78.3	85.7	93.6	90.4	113.0
Transport, and communication	281.9	299.1	310.1	316.3	333.3
Transport and storage	164.0	168.4	171.6	176.2	189.7
Post and telecommunications	117.9	130.7	138.5	140.1	143.6
Finance, real estate, business services	591.6	608.4	626.7	645.0	661.0
Financial intermediation	191.2	205.8	195.1	229.0	233.5
Financial services indirectly measured	-158.5	-167.5	-157.7	-192.7	-196.5
Real estate and business services	559.2	570.5	589.3	608.7	624.0
Owner-occupied dwellings	380.7	390.2	400.0	410.0	420.2
Other real estates and bussiness services	178.5	180.3	189.3	198.8	203.7
Community, social and personal services	66.0	67.1	68.0	68.0	69.3
General government	1276.3	1431.9	1527.7	1604.3	1650.4
Other producers	137.5	140.2	143.0	147.5	151.1
Tertiary industries	**2851.9**	**3052.4**	**3210.1**	**3319.1**	**3434.6**
All industries at basic prices	5165.9	5540.7	5953.5	5832.8	6222.3
Taxes on international trade	330.6	351.6	380.7	373.7	349.8
Other taxes on products	462.4	458.9	489.8	485.7	487.5
GDP at market prices	**5958.9**	**6351.2**	**6824.0**	**6692.2**	**7059.6**

P- Provisional

Source: Central Statistics Office

Table 4. Expenditure on the Gross Domestic product Current Prices

N$ Million

Expenditure category	1990	1991	1992	1993	1994(p)
Final consumption expenditure	5 186.0	6 193.9	7 015.5	7 680.3	8 442.0
Private	3 329.9	3 957.0	4 203.5	4 778.9	5 279.5
General Government	1 856.1	2 236.9	2 812.0	2 901.4	3 162.5
Gross fixed capital formation	1 207.5	983.0	1 540.5	1 624.6	1 803.6
Changes in inventories	297.4	169.7	159.9	(438.9)	234.2
Gross domestic expenditure	6 690.9	7 346.6	8 715.9	8 866.0	10 479.8
Export of goods and services	3 131.8	3 740.4	4 261.3	4 832.6	5 553.2
Import of goods and services	-3 863.9	-4 448.0	-5 083.1	-5 326.1	-5 784.1
Gross domestic product at market prices	5 958.8	6 639.0	7 894.1	8 372.5	10 248.9

P- Provisional
Source: Central Statistics Office

Table 5. Expenditure on the Gross Domestic product Constant 1990 Prices

N$ Million

Expenditure category	1988	1989	1990	1991	1992	1993	1994(p)
Final consumption expenditure	5 077.4	5 159.8	5 186.0	5 615.9	5 404.2	5 509.7	5 549.2
Private	3 274.8	3 397.6	3 329.9	3 596.6	3 242.9	3 352.9	3 377.1
General Government	1 802.6	1 762.2	1 856.1	2 019.3	2 161.3	2 156.8	2 172.1
Gross fixed capital formation	975.5	1 067.6	1 207.5	885.9	1 273.2	1 253.5	1 289.7
Changes in inventories	144.0	28.4	297.4	171.2	171.4	(443.9)	203.7
Gross domestic expenditure	**6 196.9**	**6 255.8**	**6 690.9**	**6 673.0**	**6 848.8**	**6 319.3**	**7 042.6**
Export of goods and services	3 235.1	3 322.4	3 131.8	3 706.6	4 141.8	4 322.0	3 934.9
Import of goods and services	-3 618.4	-3 640.4	-3 863.9	-4 028.0	-4 166.6	-3 949.2	-3 917.7
GDP at market prices	**5 813.6**	**5 937.8**	**5 958.8**	**6 351.6**	**6 824.0**	**6 692.1**	**7 059.8**

P-Provisional
Source: Central Statistics Office

Table 6. Gross Fixed Capital Formation by Activity Constant 1990 prices

N$ million

Industry	1990	1991	1992	1993	1994(p)
Agriculture	71.5	70.3	70.3	64.3	63.7
Fishing	5.2	39.3	90.9	45.8	25.6
Mining and quarrying	307.9	91.8	164.8	195.2	199.1
Manufacturing	18.7	25.5	100.5	88.6	55.8
Fish processing	1.7	11.1	84.5	70.9	38.7
Other manufacturing	17.0	14.4	16.0	17.7	17.2
Electricity and water	48.9	53.9	58.9	42.3	37.5
Construction	16.0	15.0	14.7	14.7	16.0
Wholesale and retail trade; hotels, restaurants	58.6	29.8	31.8	30.7	87.2
Transport and communication	87.9	31.5	90.4	36.0	41.2
Finance, real estate, business services	203.8	197.6	239.5	326.3	355.4
Community, social and personal services	10.5	8.7	7.3	6.6	7.8
General government	378.6	322.8	404.0	403.0	400.7
Gross domestic fixed capital formation	**1207.6**	**886.2**	**1273.1**	**1253.5**	**1289.7**

P- Provisional
Source: Central Statistics Office

Table 7. Gross Fixed Capital Formation by Activity Current prices

N$ million

Industry	1990	1991	1992	1993	1994 (P)
Agriculture	71.5	77.0	83.0	82.0	88.2
Fishing	5.2	43.7	114.8	66.3	40.0
Mining and quarrying	307.9	99.9	192.3	241.4	266.4
Manufacturing	18.7	27.9	120.2	113.0	76.9
Fish processing	1.7	12.2	101.2	90.5	53.3
Other manufacturing	17.0	15.7	19.0	22.5	23.6
Electricity and water	48.9	60.6	72.2	55.9	53.4
Construction	16.0	16.3	17.5	19.0	22.3
Wholesale and retail trade; hotels, restaurants	58.6	32.9	38.2	39.7	122.0
Transport and communication	87.9	35.0	113.0	49.0	61.0
Finance, real estate, business services	203.8	220.6	289.8	423.5	498.2
Community, social and personal services	10.5	9.6	8.7	8.6	11.0
General government	378.6	359.5	490.8	526.3	564.3
Gross domestic fixed capital formation	**1 207.6**	**983.0**	**1 540.5**	**1 624.7**	**1 803.7**

P-Provisional
Source: Central Statistics Office

TABLE 8. BALANCE OF PAYMENTS CURRENT ACCOUNT (a)

(N$ Million)

		1990	1991	1992	1993	1994(b)
1.	**Merchandise trade balance (2-3)**	**-83**	**259**	**225**	**399**	**586**
2.	**Exports fob**	**2 809**	**3 351**	**3 826**	**4 214**	**4 692**
	Diamonds	849	1 222	1 334	1 501	1 472
	Other mineral products	949	767	757	865	881
	Food and live animals	698	964	1 127	1 115	1 618
	Manufactured products	262	352	538	654	646
	Other commodities	51	46	70	79	75
3.	**Imports fob (excluding duty) (c)**	**-2 892**	**-3 092**	**-3 601**	**-3 815**	**-4 106**
4.	**Services (net)**	**-655**	**-974**	**-1 067**	**-897**	**-913**
	Transportation (net)	-434	-578	-629	-624	-693
	Travel (net)	3	39	88	271	388
	Insurance (net)	-43	-49	-71	-71	-82
	Business, administrative, financial and communications services (net)	-216	-405	-464	-481	-531
	Foreign development assistance	-59	-86	-97	-78	-79
	Other	-157	-319	-367	-403	-452
	Other government services (net)	35	19	9	8	5
	Foreign missions in Namibia	68	60	56	54	51
	Namibian missions abroad	-33	-41	-47	-46	-46
5.	**Compensation of employees (net)**	**-34**	**-25**	**-10**	**-3**	**5**
6.	**Investment income (net)**	**139**	**291**	**88**	**200**	**150**
	Income received - direct investment	8	22	26	29	34
	- portfolio investment	364	474	398	537	567
	- other investment	97	158	135	115	148
	Income paid - direct investment	-172	-208	-360	-362	-446
	- dividends	-278	-141	-198	-293	-272
	- retained earnings	113	-62	-160	-63	-170
	- interest	-7	-5	-2	-6	-4
	- portfolio investment	-61	-94	-63	-72	-93
	- other investment	-97	-61	-48	-47	-60
7.	***Total goods, services and income balance (2 to 6)***	***-633***	***-449***	***-764***	***-301***	***-172***
8.	**Transfers in cash and kind (net)**	**756**	**837**	**1 060**	**883**	**920**
	Gov't - grants from foreign governments, international- and non-governmental organisations	266	282	428	364	322
	- from SACU	605	716	748	762	868
	- witholding taxes	40	16	23	23	23
	- other transfers received	75	69	74	39	33
	- transfer debits (mainly SACU)	-291	-312	-364	-390	-432
	Private - grants received by NGO's	81	82	152	83	100
	- other transfers (net)	-20	-16	-1	2	6
9.	***Total current account balance (7+8)***	***123***	***388***	***296***	***582***	***748***

--- Indicates nil or less than N$500 000
(a) Debit (negative) entries are used to record imports of goods and services, investment income payable, the counterpart to transfers received from non-residents, and a deficit. Credit (positive) entries record exports of goods and services, income receivable, the counterpart to transfers provided to non-residents, and a surplus.
(b) Provisional
(c) Represents imports after adjustments made to place imports by SACU countries on a similar basis to imports by non-SACU countries. Estimated imports before adjustment were: 1990 N$3 134 million, 1991 N$3 345 million, 1992 N$3 880 million, 1993 N$4 115 million and 1994 N$4 424 million
Source: Bank of Namibia

TABLE 9. BALANCE OF PAYMENTS CAPITAL ACCOUNT (a)

(N$ million)

	1990	1991	1992	1993	1994(b)
Direct investment abroad	**-3**	**-18**	**5**	**-28**	**-17**
Equity capital	0	-1	10	-4	-4
Reinvested earnings	1	-6	-5	-1	-3
Other capital	-4	-11	---	-23	-10
Direct investment in Namibia	**76**	**333**	**225**	**106**	**105**
Equity capital	94	79	30	21	52
Reinvested earnings	-113	63	161	63	170
Other capital	95	191	34	22	-117
Portfolio investment	**-488**	**-872**	**-721**	**-453**	**-750**
Equity - assets	-539	-836	-785	-715	-866
- liabilities	---	-11	16	4	35
Debt - assets	11	5	22	65	-14
- liabilities	40	-30	26	193	95
Other capital - long term	**94**	**125**	**47**	**-15**	**105**
Resident official sector	**96**	**102**	**4**	**56**	**5**
Assets	-3	-8	-5	-4	-5
Drawings on loans received	187	169	18	67	17
Repayments on loans received	-88	-59	-9	-7	-7
Monetary authorities	**---**	**---**	**80**	**101**	**95**
Liabilities	---	---	80	101	95
Banks	**-15**	**-19**	**-11**	**-9**	**-10**
Liabilities	-15	-19	-11	-9	-10
Other sectors	**13**	**42**	**-26**	**-163**	**15**
Liabilities	13	42	-26	-163	15
Other capital - short term	**-211**	**-81**	**166**	**215**	**117**
Resident official sector	**-270**	**270**	**-12**	**-27**	**-68**
Assets	-270	270	-12	-27	-68
Banks	**73**	**-403**	**235**	**220**	**224**
Assets	-20	-240	253	146	1
Liabilities	93	-163	-18	74	223
Other sectors	**-14**	**52**	**-57**	**22**	**-39**
Assets	-48	39	-55	-39	-49
Liabilities	34	13	-2	61	10
CAPITAL ACCOUNT BALANCE EXCLUDING RESERVES (c)	***-532***	***-513***	***-278***	***-175***	***-440***
Net errors and omissions (d)	**504**	**91**	**-37**	**-109**	**-42**
OVERALL BALANCE (e)	***95***	***-34***	***-19***	***298***	***266***
RESERVES	**-95**	**34**	**19**	**-298**	**-266**
Foreign exchange assets	-95	34	19	-298	-266

--- Indicates nil or less than N$500 000

(a) Debit (negative) entries record an increase in foreign financial assets, a decrease in foreign financial liabilities or a capital outflow (deficit). Credit (positive) entries involve a reduction in foreign financial assets, an increase in foreign financial liabilities or a capital inflow (surplus).

(b) Provisional

(c) Represents net identified capital transactions other than in reserves

(d) Represents the net errors and omissions in the current and capital account

(e) Overall balance is equal to the current account balance, plus all identified capital transactions, excluding changes in reserves, plus net errors and omissions.

Source: Bank of Namibia

TABLE 10. INTERNATIONAL INVESTMENT POSITION (MARKET VALUES) AT END OF PERIOD

(N$ million)

	1989	1990	1991	1992	1993	1994 (a)
A. ASSETS	**4 471**	**5 399**	**6 441**	**6 914**	**8 746**	**10 485**
1. Direct investment abroad	**200**	**204**	**269**	**249**	**277**	**311**
1.1 Equity capital	144	145	193	169	174	195
1.2 Reinvested earnings	10	9	16	21	21	24
1.3 Claims on affiliated enterprises	46	50	60	59	82	92
2. Portfolio investment	**3 539**	**4 023**	**5 094**	**5 796**	**7 374**	**8 688**
2.1 Unit trusts	39	57	102	117	138	169
2.2 Life assurance policies	1 472	1 902	2 239	2 300	2 823	3 102
2.3 Pension fund assets	1 662	1 708	2 396	3 053	4 150	5 139
2.4 Other equity securities	17	19	22	16	17	18
2.5 Debt securities	349	337	335	310	246	260
3. Other assets	**622**	**967**	**907**	**717**	**641**	**767**
3.1 Currency & deposits of banks	309	329	571	326	185	189
3.2 Other assets	313	638	336	391	456	578
4. Reserve assets	**110**	**205**	**171**	**152**	**454**	**719**
4.1 Currency and deposits	98	193	159	141	440	707
4.2 Securities	12	12	12	11	14	12
B. LIABILITIES	**6 709**	**7 292**	**7 748**	**8 584**	**7 952**	**8 940**
1. Direct investment in Namibia	**4 919**	**5 245**	**5 802**	**6 540**	**5 629**	**6 067**
1.1 Equity	3 865	4 200	4 506	5 053	4 044	4 455
1.2 Reinvested earnings	769	656	719	880	943	1 113
1.3 Debt due to affiliated enterprises	285	389	577	607	642	499
2. Portfolio investment	**536**	**565**	**501**	**561**	**700**	**900**
2.1 Equity securities	79	68	34	69	74	109
2.2 Debt securities - General government	457	497	467	492	626	791
3. Other liabilities	**1 254**	**1 482**	**1 445**	**1 483**	**1 623**	**1 973**
3.1 General government	216	320	438	26	86	97
3.2 Monetary authorities	---	---	---	502	603	699
3.3 Banks	349	426	245	216	281	494
3.4 Other sectors	689	736	762	739	653	683

--- Indicates nil or less than N$500 000
(a) Provisional
Source: Bank of Namibia

TABLE 11. RECORDED MERCHANDISE IMPORTS CIF BY COMMODITY GROUP

COMMODITY	N$ Million					Per cent				
	1990	1991	1992	1993	1994 (a)	1990	1991	1992	1993	1994 (a)
1. Food, live animals, beverages and tobacco	586	770	867	940	998	19.5	24.3	23.7	24.2	23.5
2. Mineral fuels and lubricants	331	300	366	497	510	11.0	9.5	10.0	12.8	12.0
3. Chemical, plastic, medical, pharmaceutical and rubber products and plastics	239	246	307	330	361	7.9	7.8	8.4	8.5	8.5
4. Wood, paper and paper products (includes funiture)	124	183	209	214	234	4.1	5.8	5.7	5.5	5.5
5. Textiles, clothing and footwear	170	216	216	233	255	5.6	6.8	5.9	6.0	6.0
6. Machinery, office and communi-cations equipment, and other electrical goods	496	434	501	384	488	16.5	13.7	13.7	9.9	11.5
7. Vehicles and transport equipment	464	479	626	680	722	15.4	15.1	17.1	17.5	17.0
8. Metal and metal products not included above	220	189	201	217	255	7.3	6.0	5.5	5.6	6.0
9. All other goods	380	355	366	388	425	12.6	11.2	10.0	10.0	10.0
Total	**3 010**	**3 172**	**3 659**	**3 883**	**4 248**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(a) Provisional
Source: Bank of Namibia

TABLE 12. RECORDED MERCHANDISE IMPORTS CIF BY COUNTRY OF IMMEDIATE ORIGIN

COMMODITY	N$ Million					Per cent				
	1990	1991	1992	1993	1994 (a)	1990	1991	1992	1993	1994 (a)
South Africa	2 706	2 852	3 245	3 382	3 653	89.9	89.9	88.7	87.1	86.0
Botswana, Lesotho, Swaziland	11	7	5	23	30	0.4	0.2	0.1	0.6	0.7
Other countries	293	313	409	478	565	9.7	9.9	11.2	12.3	13.3
Total	**3 010**	**3 172**	**3 659**	**3 883**	**4 248**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(a) Provisional
Source: Bank of Namibia

TABLE 13: NAMIBIA'S 1993 EXPORTS FOB, COUNTRIES OF DESTINATION AND COMMODITY DISSECTION
(N$ Million)

Country	Live Animals	Meat & Meat Preparations	Fish, lobsters and crabs	Hides, Skin and Wool	Mineral Products	Manufactured Products	Electricity	Other Exports	Total	%
UK		76			1 374	0			1 450	34.4%
RSA	269	150		5	97	601	1	30	1 153	27.4%
Japan			71		338	2			411	9.8%
Spain			259						259	6.1%
Belgium					232				232	5.5%
Germany		47		13	78	2			140	3.3%
France				1	86	0			87	2.1%
Switzerland					74				74	1.8%
Ivory Coast			70						70	1.7%
Ghana			70						70	1.7%
USA	11		40			0			51	1.2%
Angola						38			38	0.9%
Italy				34	3	1			38	0.9%
Austria					24				24	0.6%
Taiwan					22				22	0.5%
Netherlands		21				0			21	0.5%
Botswana			2			6			8	0.2%
Zimbabwe					1				1	0.0%
Zambia						4			4	0.1%
Korea					3				3	0.1%
China					3				3	0.1%
Other								55	55	1.3%
Total	**280**	**294**	**512**	**53**	**2 335**	**654**	**1**	**85**	**4 214**	**100.0%**

0: indicates nil or less than N$ 500 000
Source: Bank of Namibia

TABLE 14. NAMIBIA'S MAJOR TRADING PARTNERS, 1993
(N$ Million)

RANK	COUNTRY	IMPORTS	EXPORTS	TOTAL TRADE	PER CENT
1	SOUTH AFRICA	3 383	1 153	4 536	56.03
2	UNITED KINGDOM	20	1 450	1 470	18.16
3	JAPAN	3	411	414	5.11
4	SPAIN	32	258	290	3.58
5	GERMANY	100	140	240	2.96
6	BELGIUM	2	232	234	2.89
7	IVORY COAST	129	70	199	2.46
8	FRANCE	40	87	127	1.57
9	UNITED STATES OF AMERICA	46	51	97	1.20
10	SWITZERLAND	7	74	81	1.00
	OTHER	121	287	408	5.04
	TOTAL	**3 883**	**4 213**	**8 096**	**100**

Source: Bank of Namibia

TABLE 15. MERCHANDISE EXPORTS FOB BY COMMODITY GROUP

(N$ million)

	1990	1991	1992	1993	1994(a)
FOOD AND LIVE ANIMALS	*698*	*964*	*1 127*	*1 115*	*1 618*
LIVE ANIMALS	**202**	**214**	**270**	**279**	**405**
Cattle	103	106	110	140	210
Sheep and goats	96	100	146	129	173
Game	3	3	4	2	7
Other	---	5	10	8	15
MEAT AND MEAT PREPARATIONS	**175**	**272**	**293**	**294**	**380**
Meat - cattle	127	238	256	238	307
Meat - other	22	11	13	10	15
Meat products	26	23	24	46	58
FISH, LOBSTER, CRABS	**295**	**450**	**534**	**512**	**803**
Unprocessed and semi-processed fish	211	399	477	441	769
Lobsters and crabs	84	51	57	71	34
OTHER FOOD PRODUCTS	**26**	**28**	**30**	**30**	**30**
HIDES, SKINS AND WOOL	*41*	*42*	*43*	*53*	*74*
Karakul pelts and wool	17	17	13	7	10
Other	24	25	30	46	64
MINERAL PRODUCTS	*1 798*	*1 989*	*2 091*	*2 366*	*2 353*
Diamonds	849	1 222	1 334	1 501	1 472
Copper	208	192	222	188	244
Gold	50	61	66	74	96
Zinc	99	52	60	44	50
Lead	78	54	48	39	50
Silver	38	33	33	34	35
Other	476	375	328	486	406
MANUFACTURED PRODUCTS	*262*	*352*	*559*	*679*	*646*
Canned fish, fish meal and fish oil	145	219	311	488	509
Other	117	133	248	191	137
ELECTRICITY	*10*	*4*	*6*	*1*	*1*
TOTAL MERCHANDISE EXPORTS FOB	*2 809*	*3 351*	*3 826*	*4 214*	*4 692*

--- Indicates nil or less than N$500 000

(a) Provisional
Source: Bank of Namibia