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**BANK OF NAMIBIA LAUNCHES 2022 ANNUAL REPORT  
'GLOBAL ECONOMIC SHOCKS- REWIRING NAMIBIA TO BOLSTER RESILIENCE'**

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**BANK OF NAMIBIA DECLARES DIVIDEND OF N\$413.7 MILLION TO THE STATE  
REVENUE FUND ON ACCOUNT OF ITS OPERATIONS DURING 2022**

**HIGHLIGHTS OF THE REPORT**

- The financial performance of the Bank for the FY2022 presented improvement when compared to the FY2021.
- The Bank declares dividends of N\$413.7 million to the State Revenue Fund, for the 2022 financial year.
- Stock of international reserves rose by 8.4 percent to N\$47.6 billion (5.7 months of import cover) at the end of 2022.
- Despite a challenging global climate, the banking sector's performance remained sound during 2022.
- The Bank pursued a contractionary monetary policy during 2022, to strike a balance between anchoring inflation expectations and supporting the domestic economic recovery.
- Namibia's economic growth improved significantly to 4.6 percent in 2022 from 3.5 percent in 2021.
- Namibia's current account deficit as a percentage of GDP widened to 12.3 percent during 2022 from 9.9 percent in 2021.

- 1. The Bank of Namibia in consonance with Section 67(1) of the Bank of Namibia Act, 2020 (Act no. 1 of 2020) and honour of its statutory obligation, hereby releases its 2022 Annual Report.** The Annual Report provides an overview of the governance of the Bank, the state of the global and domestic economic and financial developments economy, , the banking supervision report and major achievements of the Bank in 2022. Additionally, the report comprises of a theme chapter titled: *Global Economic Shocks – Rewiring Namibia to Bolster Resilience*. Finally, the report presents the audited financial statements of the Bank for 2022.

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

- 2. In 2022 the Bank executed its first year of the three-year Strategic Plan (2022-2024).** The plan sets the direction to be followed and establishes clear priorities to align departments towards a common goal. Moreover, the plan envisions a digitalisation transformation of the Bank with a fully modernised financial system, maximising its contribution in restoring economic growth and sustaining economic development. Through continuous staff commitment and collaboration, and the support of the Board of the Bank, the Bank maintains its commitment to achieving its strategic objectives as outlined, towards becoming a leading central bank that continues to be dedicated to the prosperity of Namibia.
- 3. The financial performance of the Bank for FY2022 improved significantly compared to FY2021.** Favorable interest rates during 2022 and the increase in the Bank's reserves balance contributed to the improvement in the Bank's financial performance. The Bank continues to efficiently manage its operational expenditure and thus was able to declare a dividend of N\$413.7 million to the State Revenue Fund, which is consistent with dividend declared previously.

## **STATE OF THE ECONOMY IN 2022**

- 4. The global economy experienced slower growth during 2022 in the global gross domestic product compared to 2021.** Global economic growth receded from 6.2 percent in 2021 to 3.4 percent in 2022, partly attributed to the Russian-Ukraine war that led to supply disruptions and high inflation, alongside Covid-19 pandemic-related issues observed in China leading to further lock-down-related supply disruptions. Equity and commodity markets observed negatives towards the end 2022 mainly due

to the soaring inflation and aggressively rising interest rates. The persistence of the Russian-Ukraine conflict threatens global growth as it will result in further elevated prices that could potentially intensify food insecurity and social unrest, while geopolitical fragmentation may impede global trade and economic cooperation. Another global concern is the tight labour markets in major advanced economies (AEs) that are likely to keep inflation intractable, resulting in continued tight monetary policy stances and financial conditions. Higher interest rates are anticipated to have an adverse effect on the financial system, hence the concern.

- 5. The Namibian Economy built up further growth momentum during 2022 attributable to improved economic activity across the primary, secondary and tertiary industries.** Amid a challenging global economy, growth in the Namibian economy increased significantly to 4.6 percent in 2022 from 3.5 percent in 2021. The higher economic growth stemmed from improved economic activity across all industries but was most pronounced within the primary industry. During the period under review, the primary industry was flexible, chiefly due to a significant increase in the production of diamonds which was attributed to additional production largely as a result of a new diamond recovery vessel. The improvement in economic growth for 2022 was further underpinned by higher consumption expenditure. Other factors that contributed to the growth includes further relaxation of Covid-related travel restrictions, favourable prices of exported commodities, mineral and oil exploration activity, and new marine mining capacity.
- 6. Namibia recorded an increase in headline inflation during 2022 compared to 2021, posing great pressure on the cost of living.** Overall inflation rose significantly from 3.6 percent during 2021, to a 6.1 percent in 2022. The high inflation was predominantly driven by transport inflation attributable to high international oil prices, aggravated by exchange rate depreciation. Inflation for food and non-alcoholic beverages, housing, water, electricity, gas, and other fuels accelerated in 2022 which also contributed to higher overall inflation.
- 7. The Bank pursued a contractionary monetary policy in 2022, increasing the repo rate by a total of 300 basis points which stood at 6.75 percent at the end of the period.** These observed hikes in the repo rate during 2022 were deemed necessary in striking a balance between anchoring inflation expectations and safeguarding the exchange rate peg, while simultaneously supporting the domestic economic recovery. The commercial banks also increased their prime lending rates during 2022 which

stood at 10.50 percent by December 2022. Growth in broad money supply (M2) and private sector credit extension (PSCE) remained subdued in 2022, falling below the current inflation rate; however, growth in PSCE edged higher over the period.

- 8. On the fiscal front, the budget deficit narrowed during the FY2022/23, while debt continued to rise over the same period.** The narrowing of the deficit to an estimated 5.2 percent of GDP is ascribed to an increase in revenue collection. This resulted from increases in income tax on individuals, and diamond mining and non-mining companies, coupled with dividends declared by public enterprises. Government expenditure also rose, but at a slower pace in relation to revenue. As a result, the debt stock of the Government rose to 65.9 percent of GDP at the end of December 2022.. Going forward, the 2023/24 Government budget presents a less restrictive fiscal environment on the back of improved revenue outturn and economic growth prospects.
- 9. Namibia's current account deficit widened in 2022 compared to 2021, but financial account inflows were adequate to cover for the deficit and enable the stock of international reserves to rise during the period under review.** The current account deficit as a percentage of GDP widened to 12.3 percent in 2022 from 9.9 percent in 2021, mainly due to a significant increase in the merchandise trade deficit. Favourably, the financial account inflows were sufficient to counter the current account deficit, and further allowed for the rise in the stock of international reserves on an annual basis by 8.4 percent to settle at N\$47.6 billion at the end of December 2022. The foreign reserves translated into import cover of 5.7 months, higher than the 5.6 months reported a year earlier. In terms of competitiveness, the Real Effective Exchange Rate (REER) depreciated slightly on an annual basis, signalling a moderate gain in the competitiveness of Namibia's products in international markets.
- 10. Looking ahead, growth performance of the domestic economy is expected to weaken during 2023 and 2024, in line with lower global demand and reduced consumer spending power.** Real GDP growth is estimated to slow down to 3.0 percent and 2.9 percent in 2023 and 2024, respectively, from 4.6 percent in 2022. The upward adjustment in the 2022 growth estimate is mainly on account of final production numbers from the mining sector (especially diamonds), which turned better than the Bank earlier estimates.

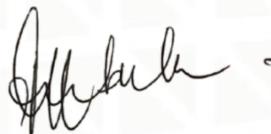
## ASSESSMENT OF THE BANKING SECTOR

**11. The banking Industry remained profitable, liquid and well capitalised.** The industry observed an improvement in both the capital adequacy and liquidity position which further remained above the statutory minimum requirements. Furthermore, return on assets and return on equity increased, presenting an improvement in profitability. Asset quality, as measured by the ratio of non-performing loans (NPLs) to total loans stood at 5.6 percent at the end of December 2022, lower than 6.4 percent recorded a year earlier. This was a welcome improvement, as the NPL ratio stood below the crisis trigger benchmark ratio of 6.0 percent, indicating that the quality of assets was satisfactory during 2022. Despite the improvement in this ratio during the latter part of 2022, the impact of inflationary pressures, interest rate adjustments and uneven economic recovery is still filtering through and is expected to negatively affect the ratio. Overall, the banking sector remained sound, with no real threat to financial system stability.

## CONCLUSION

- 12.** The Bank will release its Quarterly Bulletin for the fourth quarter of 2022, where detailed information on economic report and statistical tables will be accessible. The Quarterly Bulletin will be available on the Bank's website on the 31st of March 2023.
- 13.** Finally, the achievements specified in this report could not have been possible without the invaluable contributions of our staff and Board, and unwavering support of all our other stakeholders. The media and the public at large are thus urged to read the report thoroughly, which is available upon request and can also be accessed online at <https://www.bon.com.na/Publications/Annual-Reports.aspx>.

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