

Joint Media Release

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FOR IMMEDIATE RELEASE

THE NAMIBIAN FINANCIAL SYSTEM REMAINS SOUND AND RESILIENT AMIDST GLOBAL AND DOMESTIC ECONOMIC CONDITIONS

The Financial System Stability Committee (FSSC) held a meeting on the 3rd of October 2024, to assess the resilience of the Namibian financial system to potential risks emanating from both global and domestic fronts. Based on a thorough assessment of global and domestic macro-financial developments, the Committee found the domestic financial system to be stable, sound, and resilient. The Committee took note of the risks to financial system stability and remains committed to maintaining vigilance and steer the course to address any emerging risks appropriately.

RECENT FINANCIAL STABILITY DEVELOPMENTS

The FSSC at its meeting held on the 3rd of October 2024, conducted a thorough assessment of both global and domestic risks to financial stability, with a specific focus on the potential vulnerabilities that may have an impact on the Namibian financial system.

- 1. The global GDP growth rate is expected to decline slightly in 2024, following tighter monetary conditions.** In its July 2024 World Economic Outlook (WEO), the International Monetary Fund (IMF) projected that the global economy would grow by 3.2 percent in 2024, slightly lower than the 3.3 percent growth rate registered in 2023. The global economy remained resilient during the first half of 2024, despite challenges such as tight monetary conditions. Risks to the global economy include inflationary pressures from a lack of progress in reducing prices for services. Other global risks include trade and geopolitical tensions, as well as regional broadening of the ongoing military conflicts in various parts of the world.
- 2. Domestic economic activity demonstrated consistent growth in the first half of 2024, fuelled by increased activity in all industries.** The mining sector as well as livestock marketing, contributed positively to growth in the primary industry. A moderate

year-on-year decline in local electricity generation in the second quarter of 2024 hindered growth in the secondary industry, which was worsened by a decline in the diamond cutting and polishing activity. This was offset by a rise in construction, blister copper, cement, as well as beer and soft drinks production, registering an increase in the overall output of the secondary industry. Growth in the tertiary industry was supported by the wholesale and retail trade, information and communication, transport and storage, and tourism sectors. GDP growth is projected to slow to 3.1 percent in 2024, mainly due to drought, low diamond prices, and weak global demand. Risks to the domestic economy remained tilted to the downside, mainly reflecting global factors.

- 3. The financial system in Namibia remained sound and resilient amidst the moderation in global and domestic economic conditions.** The financial system continued to function efficiently during the first half of 2024, and all statutory requirements were met, despite concerns about household indebtedness. The banking sector remained liquid, profitable, and well capitalised supported by growth in the banking sector's balance sheets, mainly due to net loans and advances. The Non-Bank Financial Institutions (NBFIs) were financially sound and stable during the first half of 2024, attributable to developments in global financial markets, coupled with a stable demand for NBFi products on the back of moderating inflation and increased government spending. The Namibia Interbank Settlement System continued to maintain high system availability during the first half of 2024. In comparison with 2023, there has been a substantial decrease in the total value of fraud across all payment streams during the period under review. In this regard, the payment system and infrastructure remained safe and contributed efficiently to ensuring reliability in payment transactions, thus facilitating stability within the financial system. The assessment concludes that the financial system in Namibia remained sound and resilient, with no major disruptions or disorderly functioning of key financial services, despite prevailing risks.
- 4. Risks to the Namibian financial system are expected to remain broadly contained with notable developments.** The potential risks emanating from the FATF grey listing has somewhat improved, given the progress made by Namibia in addressing the findings of the FATF/ESAAMLG Mutual Evaluation recommendations and the FATF Action Plan to enhance Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation measures. Other key risks to the financial system include climate change and cybersecurity.

OVERALL ASSESSMENT OF THE FINANCIAL SYSTEM RESILIENCE

Based on the assessment of risks and threats to financial system, the Financial System Stability Committee (FSSC) concluded that no specific stability and resilience policy recommendations and actions are deemed necessary. However, the FSSC recommitted itself to: Maintain a high level of vigilance; and to carefully monitor risks and steer the course to address any emerging risks.

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