Bank of Namibia

Annual Report

2004

Registered Office

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Windhoek
Namibia

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Bank of Namibia
Corporate Charter

Corporate Charter

VISION

Monetary and financial stability supportive of sustainable economic development in Namibia.

MISSION

To promote efficient payment mechanisms, effective banking supervision, reserves management and economic research in order to implement appropriate monetary policy and proactively offer relevant financial and fiscal advice to all our stakeholders.

VALUES

Our values guide us to be a center of excellence,
and we value our contribution to the organization.

We uphold integrity, impartiality, open communication and transparency.

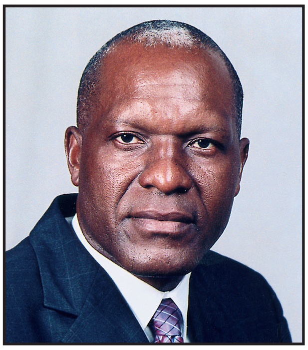
We care for each other's well-being and value teamwork.

In accordance with Section 52(1) of the Bank of Namibia Act No. 15 of 1997, the Bank has submitted to the Minister of Finance this Annual Report, which includes:

(i) a copy of its annual accounts certified by the auditors;
(ii) a report of its operations and affairs; and
(iii) a report on the state of the economy.

TOM K ALWEENDO
GOVERNOR **March 2005**

BANK OF NAMIBIA BOARD OF DIRECTORS



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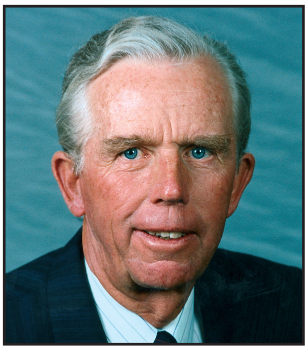
(Governor)

Mr P Hartmann
(Deputy Governor)

Mr F Kisting



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BANK OF NAMIBIA MANAGEMENT
AS AT 31 DECEMBER 2004

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ABBREVIATIONS

AAF	Asset Allocation Funds
ACP	African, Caribbean and Pacific (countries)
AGOA	Africa Growth and Opportunity Act
AGRIBANK	Agricultural Bank of Namibia
AIDS	Acquired Immune Deficiency Syndrome
AU	African Union
BoN	Bank of Namibia
BTT	Board on Tariffs and Trade
BCM	Business Continuity Management
BES	Book Entry System
BLNS	Botswana, Lesotho, Namibia, Swaziland
CAP	Common Agricultural Policy
CBI	Cross Border Initiative
CCBG	Committee of Central Bank Governors in SADC
CD	Cooperation for Development
CLC	Code Line Clearing
CMA	Common Monetary Area
CNM	Common Negotiating Mechanism
COMESA	Common Market for Eastern and Southern Africa
CRP	Common Revenue Pool
CSIB	City Savings and Investment Bank
DCS	Depository Corporations Survey
DFN	Development Fund of Namibia
DIS	Deposit Insurance Scheme
DD	Demand Deposits
DMB's	Deposit Money Banks
DRC	Democratic Republic of the Congo
ECOWAS	Economic Community for West Africa
EF	Equity Funds
EFT	Electronic Funds Transfer
EPAs	Economic and Partnership Agreements

ABBREVIATIONS (Continued)

EPZ	Export Processing Zone
Euro	European Union Currency
EU	European Union
FCS	Financial Corporations Survey
FDI	Foreign Direct Investment
FNB	First National Bank
FTA	Free Trade Area
GC10	Government Internal Registered Stock maturing in 2010
GC10	Government Internal Registered Stock maturing in 2015
GC10	Government Internal Registered Stock maturing in 2024
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNDI	Gross National Disposable Income
GNI	Gross National Income
GSP	Generalised System of Preference
HIPCs	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBF	Interest Bearing Funds
IFS	International Financial Statistics
IIP	International Investment Position
IMF	International Monetary Fund
IPAs	Investment Promotion Agencies
IRS	Internal Registered Stock
LOLR	Lender-of-Last Resort
JSE	Johannesburg Securities Exchange
M2	Broad Money Supply
MFSM	Monetary and Financial Statistics Manual
MPC	Monetary Policy Committee

ABBREVIATIONS (Continued)

MoF	Ministry of Finance
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NAMFISA	Namibia Financial Institutions Supervisory Authority
N$	Namibia Dollar
NAFTA	North America Free Trade Agreement
NBFIs	Non-Bank Financial Institutions
NCDs	Negotiable Certificate of Deposits
NDC	Namibia Development Corporation
NEER	Nominal Effective Exchange Rate
NEPAD	New Partnership for African Development
NGOs	Non Governmental Organisations
NFA	Net Foreign Assets
NII	Net Interest Income
NISS	Namibia Interbank Settlement System
NOFP	Net Open Forward Position
NPL	Non Performing Loan
NSX	Namibia Stock Exchange
OBIs	Other Banking Institutions
ODA	Official Development Assistance
ODCs	Other Depository Corporations
OFCs	Other Financial Corporations
Rand	South African Currency
RDR	Real Interest Rates
REER	Real Effective Exchange Rate
REPO	Repurchase Agreement
RISDP	Regional Indicative Strategic Development Plan (SADC)
ROA	Return on Assets
ROE	Return on Equity
RSA	Republic of South Africa
RSF	Revenue Sharing Formula

ABBREVIATIONS (Continued)

RWCR	Risk Weighted Capital Ratio
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Consultative Conference
SARS	Severe Acute Respiratory Syndrome
SME's	Small and Medium Enterprises
TAC	Total Allowable Catch
T-bills	Treasury Bills
TD	Transferable Deposits
TCL	Tsumeb Corporation Limited
TNCs	Transnational Corporations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
US Dollar	United States Dollar
USA	United States of America
VAT	Value Added Tax
VC	Venture Capital
WTO	World Trade Organisation

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PART A

STATE OF THE ECONOMY

Report in terms of section 52 (1)(c) of the Bank of Namibia Act No.15 of 1997

ECONOMIC OVERVIEW

The growth rate of the global economy recovered during the second half of 2003. The average global GDP growth rate was nearly 6 percent during that period - the highest rate since 1999[1]. The growth rate for the whole of 2003 was 3.9 percent (Table 1), which constituted a substantial increase compared to 3.0 percent in 2002. The more optimistic outlook for the global economy has led to a projection of 5.0 percent for 2004.

The US economy recovered considerably during 2003, especially during the second half of the year, thus achieving a growth rate of 3.0 percent. This trend continued in 2004, given the preliminary growth rate of 4.4 percent, but is expected to decline to 3.5 percent in 2005[2]. The driving forces behind the recovery were increased private consumption, especially during the first quarter of 2004, fostered by tax cuts and low interest rates and rebounding business and private investment.

Against this background, the outlook for the US economy is favourable for 2005. There are, nevertheless, downside risks to this optimistic outlook. They include a rather weak response of employment to the upswing and a potential rise in interest rates. Furthermore, the widening current account deficit and a weak US Dollar as well as an increasing government deficit are causes for concerns[3].

The United States bid to solve its current account problems by keeping the dollar weak could affect the world economic growth negatively against the background of prevailing high oil and commodity prices. The rapid weakening of the US Dollar would thus dampen the global economy by affecting the export earnings of many countries negatively. The dollar is also the key currency among international trading partners, and countries with a large proportion of dollars in their international reserves are risking losses from a weakening US Dollar. Although the weakening US Dollar could lead to an increase in US exports, thereby boosting the US economy, it may entail rising inflation as a side-effect. It would therefore force the United States to raise its interest rates, which in the end could slow its economy and the global economy as a whole.

The appropriate strategy for the US may therefore be to engage in saving or reducing spending which may entail contractionary fiscal policy. This situation may assist in easing the pressure on the US current account. Although the expansionary fiscal policy of the US authorities had contributed to the recovery of the economy in the past, it would be prudent for the US to engage in fiscal restraint, as it would risk fiscal instability, which might spill over to the global economy. Hence, the commitment by the US to halve the government deficit over the next five years could be seen as a first step in the right direction.

Growth in the Euro Area decreased to 0.5 percent in 2003, after it had already experienced a rather slow growth rate of 0.8 percent in 2002. The growth rate of 1.8 percent for 2004, however, allows a more optimistic outlook for 2005 with a projected growth rate of 2.2 percent[4]. Stronger private consumption in some of the countries was experienced during the first half of 2004, while during 2003 the consumption growth was weak.

An upswing in the global economic growth is expected to contribute positively to consumption and investment growth, as well as to a further pronounced growth of exports in the area. Expansive exports have been a main contributor to the gradual recovery of the economy of the Euro Area.

1 International Monetary Fund, "World Economic Outlook", April 2004.
2 Bureau of Economic Analysis, "News Release", 25/02/05
3 The US budget deficit has deteriorated by 7 percentage points of GDP during the last four years, which constitutes the largest and fastest deterioration since World War II. (IMF, "IMF Survey", May 17, 2004).
4 European Central Bank, "Monthly Bulletin", March 2005.

Downside risks include continued high unemployment rates, which could have dampening effects on consumption growth, sustained high fiscal deficits, especially in Germany and France, and a further sharp appreciation of the Euro, which would be reflected in a decrease in export earnings.

Table 1. World GDP growth

	2002	2003	2004*	2005*
World	3.0	3.9	5.0	4.3
United States	1.9	3.0	4.4	3.5
Euro Area	0.8	0.5	1.8	2.2
Japan	-0.3	2.5	2.6	2.3
Emerging Asia	6.4	7.2	7.3	6.5
China	8.3	9.1	9.0	7.5
Developing countries	4.6	6.1	6.0	5.9
Africa	3.5	4.3	4.5	5.4
Sub-Sahara	3.6	3.7	4.6	5.8
Angola	14.4	3.4	11.2	15.5
Botswana	3.9	5.4	4.5	3.7
Mozambique	7.4	7.1	8.4	6.8
Namibia	2.5	3.7	4.4	3.8
South Africa	3.6	2.8	3.7	4.3*

*Source: IMF, "World Economic Outlook" and various Central Banks, September 2004; 2004: forecasts and preliminary data; 2005: forecasts. *SA Budget Review February 2005.*

The Japanese economy recovered considerably during 2003, exceeding earlier expectations. After a negative growth rate of 0.3 percent in 2002, the economy grew by 2.5 percent in 2003 and recovered further to 2.6 percent in 2004. The growth, is however, projected to slow down to 2.3 percent in 2005.

The main driving forces behind the accelerated growth were exports, mainly to Asia, increasing by 10.1 percent in 2003, and an increase in investment of 3.2 percent in 2003, while private consumption experienced only a moderate growth of 0.8 percent in the same year. Several problems, such as the performance of the corporate and banking sector were addressed and improved. The deflationary pressure was eased as well, with inflation increasing from negative 0.9 percent in 2002 to negative 0.2 percent in 2003, a level, which is expected to remain in 2004 and improve to negative 0.1 percent in 2005. Despite this positive outlook, downside risks include a further appreciation of the Yen as well as prolonged vulnerabilities of the corporate and banking sectors.

GDP in Emerging Asia[5] is expected to grow solidly at 7.3 and 6.5 percent during 2004 and 2005, respectively. In 2003, growth in that region was 7.2 percent, thereby accounting for about 50 percent of the global growth. China is projected to experience continuing high growth rates, reaching 9.0 and 7.5 percent in 2004 and 2005. Growth in the region had increased due to a recovery of the tourism industry and domestic demand, which were aided by accommodative monetary policies, including low interest rates and highly competitive exchange rates. As a reaction to the strengthening of world growth, exports picked up significantly, while imports remained robust. Many countries intervened in the exchange market to avoid the negative effects of an appreciation against the US Dollar.

Nevertheless, fiscal discipline would have to be preserved and monetary policies tightened in some countries in the years ahead. A greater exchange rate flexibility would furthermore support a sustained growth. China in particular would have to introduce measures to ensure a soft landing of the economy. First steps had been taken during 2004, such as an increase in the reserve requirements, a tightening of lending standards in some sectors and a raise of interest rates. These measures had, however, not yet proved to be as effective as required, which calls for a further tightening of monetary conditions.

The recent Tsunami disaster will have implications for growth on the economies, which were affected such as Indonesia, Malaysia, Thailand, Sri Lanka and the Maldives. Although it is too early to quantify the extent of the damage, initial indications show that the impact would not be too severe in terms of growth in the Asian region. Smaller economies however, such as Maldives and Sri Lanka that are dependent on fishing and tourism sectors would be negatively affected.

5 Emerging Asia includes developing Asia, newly industrialised Asian economies and Mongolia.

SADC

South Africa

The South African economy experienced a rather low growth rate of 2.8 percent in 2003, but recovered to 3.7 percent in 2004 and is expected to grow by 4.3 percent in 2005.

The inflation rate (CPIX)[6] declined further during 2003, averaging 6.4 percent for that period. Since September 2003, the inflation rate had stayed continuously within the target range of 3 to 6 percent, averaging 4.3 percent for 2004. The decline in inflation subsequently enabled the South African Reserve Bank to cut the repo rate during 2003 from 13.5 at the end of 2002 to 8.0 percent in December 2003. In August 2004, the repo rate was further reduced to 7.5 percent.

The low interest rate environment was favourable for the domestic demand, which also benefited from a mildly expansionary fiscal policy. The Rand strengthened during 2003 and continued its performance throughout 2004. The nominal exchange rate against the US Dollar ranged between 5 and 7 Rand. The strong currency could be a serious challenge for South Africa by negatively influencing exports and consequently the economic growth. The South African authorities however, do not seem concerned about the appreciation of the currency, as they view this as a re-alignment of international currencies. Moreover, the adverse effects of the currency appreciation could be partly offset by a stronger global economy and higher commodity prices.

Other SADC countries

Growth in Sub-Saharan Africa was 3.6 and 3.7 percent for 2002 and 2003, respectively, and, thus, remained too low to achieve the poverty reduction targets given in the Millennium Development Goals, promoted by the United Nations Organisation, as that would require an average growth rate of 7 percent per year[7]. Although the outlook for 2004 and 2005 with growth rates of 4.6 and 5.8 percent, respectively, appears to be more favourable, it is still well below the required growth rate. Further economic reforms and diversification is needed to strengthen the economic performance of the respective countries.

Positively affecting the growth of the SADC economies was the increasing economic stability, fostered by improved management of macroeconomic policies, a peaceful environment in most of the countries concerned and an increased oil output[8]. Good economic developments are expected especially for Angola, driven by an increased oil production, and Mozambique mainly due to the recovery of the agricultural sector and a sharp increase in construction.

The SADC countries, however, face severe challenges over the following few years. The SADC region continues to be one of the regions, which is highly affected by the HIV/AIDS pandemic. In half of the member states, more than 20 percent of the population has been estimated to live with HIV and AIDS in 2001, which will impose serious problems for the concerned countries in the near future[9].

Prospects for the regional food production had improved for 2004, following a more favourable rainfall throughout Southern Africa. Excessive rainfall has however, also caused the flooding of rivers and the subsequent damage to crop harvests. Although Namibia was also affected by flooding, normal to above-normal agricultural yields could be expected. This also applied to Botswana and Zambia, whereas crop prospects in South Africa, Lesotho, Swaziland and to some extent in Mozambique, Malawi, Zimbabwe and Angola are less favourable[10].

In summary, the world economy experienced a strong recovery during 2003 with a strengthened growth, which extended across regions and sectors. This

6 The CPIX measures the consumer price inflation excluding mortgage interest cost for metropolitan and urban areas.
7 The target is to halve extreme poverty by the year 2015.
8 SADC, “Annual Report, 2002-2003”.
9 SADC, “Annual Report, 2002-2003”.
10 FAO, “Food Supply Situation and Crop Prospects in Sub-Saharan Africa”, April 2004.

recovery is expected to continue solidly during 2004 and 2005. A strongly rebounding US economy, an optimistic growth outlook in Asia, despite the Tsunami disaster, a rise in global trade, supported partly by favourable financing conditions and expansionary economic policies, contributed to the positive developments over the past year. Continued price stability and a rebound of the European economy could further contribute to an optimistic outlook. The recent recovery should certainly, be used to address medium-term weak points, such as the fiscal pressures resulting from an aging population, to assure sustainable and robust long-term growth. The South African economy had also shown signs of recovery in 2004, following a rather moderate growth in 2003. The outlook for Sub-Saharan Africa for 2004 and 2005 is favourable, but still below the required growth rates to reach the Millennium Development Goals.

The downside risks to the positive global outlook are the perpetual geopolitical risks, including terrorist threats, which were recently demonstrated by incidents such as the bombings in Europe and Asia and the ongoing fighting in Iraq. The development of oil prices is also a matter of concern. Higher than expected demand, rather low inventories and the delayed restoration of the oil production in Iraq were the main factors which led to a considerable increase in oil prices over the past months[11]. This might have a negative impact on inflation and growth. Further challenges are the increasing global imbalances with a large current account deficit, the weak dollar and the fiscal deficit of the USA and surpluses elsewhere as well as a possible, substantial rise in global interest rates.

11 In September 2004, a barrel cost US$26.5 (Brent crude oil), but increased to a record high of over US$50 per barrel in October, before declining again to around US$40 per barrel at the end of the year. It is projected to average US$37.25 per barrel in 2005 (IMF, “World Economic Outlook”, September 2004).

THEME CHAPTER

UNEMPLOYMENT AND EMPLOYMENT CREATION - POLICY OPTIONS FOR NAMIBIA

ABSTRACT

This chapter attempts to review the unemployment situation in Namibia with special emphasis on examining the extent of unemployment, the profile of the unemployed and possible causes of unemployment. It is found that unemployment has been increasing marginally since Independence. This situation has, however, been compounded by the significant number of underemployed in the country. Unemployment is found to be high among young people especially females. It is further noted that the most unemployed are those who only have a primary school education, followed by junior and senior secondary graduates. This chapter also indicates that unemployment is higher in urban areas compared to rural areas. It is also found that the structure of the economy is one of the key causes of unemployment in Namibia. Other causes include climatic factors, insufficient training and skills and a limited access to finance.

To address the unemployment problem, the review suggests a number of policies and strategies. These include, raising productivity in agriculture and manufacturing, introducing labour intensive public works, improving access to finance, improving education, skills and vocational training and instituting public and private partnerships.

1.1 INTRODUCTION

Unemployment is a universal problem with which almost every country has to wrestle. Even countries, which have emerged as the dominant economies of the global village are forced to invest considerable resources in job creation and economic development programmes which are aimed at reducing unemployment and poverty.

Since Independence, the Government has identified job creation as one of its main objectives in the national development plans. The First National Development Plan (NDP1) among others, was aimed at creating 70 000 formal new jobs, 30 000 jobs in subsistence agriculture and 10 000 jobs in the informal sector over a period of five years. The Second National Development Plan (NDP2) has also put emphasis on the creation of more jobs without stating a numerical figure.

The creation of job opportunities is therefore regarded as a pressing national priority. In recognising this as a major national challenge, the Ministry of Finance chose as the theme for the 2002/2003 Budget Statement "the need to stimulate and support economic development and employment creation in Namibia". In supporting this theme, it identified a number of policies and programmes. These are namely, the building of new institutions such as the Development Bank of Namibia, the development of human resources through an improved education and training programmes such as the establishment of Science Education Centres and a Centre for Innovation Entrepreneurship and Technology and the development of new infrastructures such as the northern railway extension and the tarring of a number of new roads. In an effort to implement these projects, the Development Bank of Namibia, the northern railway extension and the tarring of new roads were given allocations of N$125.0 million, N$71.0 million and N$19.8 million from the 2002/03 national budget, respectively. Some of these projects are still current, while others have already been completed. The development of small-scale and medium enterprises is also regarded as a key strategy in the fight against unemployment. In this regard, a policy which will assist the development of small businesses in the country has been developed and it is already being implemented.

It was envisaged by the Government that the implementation of the SME policy would raise the average income of the sector, in real terms, through the injection of additional human resources and financial capital. In addition, the new policy and programmes were aimed at creating SME opportunities for a significant number of new entrants into the labour market to find productive employment and/ or become entrepreneurs. According to the Ministry of Trade and Industry, the contribution of the sector to the GDP has increased from 8 percent in 2002 to 11 percent in 2003. Similarly, the employment contribution of the sector as evidenced by the share of people of the labour force, working in small businesses also increased from 15 percent in 2002 to 19.8 percent in 2003[12].

Despite these efforts however, unemployment continues to be very high and identified targets have not been achieved, since job creation has not been able to keep pace with the growing number of job seekers resulting from rapid population growth and migration from rural to urban areas.

This chapter reviews the unemployment problem in Namibia over the past 14 years. Specifically the chapter examines the extent of the problem, the profile of the unemployed, and the possible causes of unemployment, as well as the cost inflicted burden on the Namibian community by this situation. The chapter further attempts to suggest policy action that should be considered to address the unemployment problem in Namibia.

1.2 GROWTH AND UNEMPLOYMENT IN NAMIBIA

Trends in Employment and Unemployment

In Namibia, the potential labour force consists of all persons aged 15 years and above. According to the National Housing and Population Census (NPHC) of 2001, the labour force accounted for 54.1 percent of the total population of Namibia, down from 58 percent in 1991. The decline in the labour force could be attributed to an increase in an economically inactive population and not-stated activity[13]. The economically inactive population increased in absolute terms from 340 965 in 1991 to 432 883 in 2001, while the not-stated activity increased from 789 to 72 693 over the same period. The increase in these two categories affected the labour force (economically active population) negatively.

The unemployed are those who meet the three criteria as spelt out by the international statistical standards, which are, (i) those being without work, (ii) those who are available for work, and (iii) those who are seeking work. Whilst this is known as the strict definition, the exclusion of the last criterion would result in the broad definition of unemployment.

The Central Bureau of Statistics (CBS) through periodic population and housing censuses provides the data on employment and unemployment in Namibia. These censuses are complemented by periodic Labour Force Surveys carried out by the Ministry of Labour.

Using the strict definition, unemployment has been rising marginally over the past years, standing at 19.1 percent in 1991 and increasing to 20.2 percent in 2000. If however, the broad definition is applied, the unemployment rate is much higher hovering between 31.1 percent and 35 percent during the same period. This is also indicated by the figure of 31 percent for 2001 presented in Table 1. This figure was obtained from the 2001 NPHC, which intended to use the strict definition but because enumerators did not always probe the situation carefully to filter out persons who did not look for work, the outcome was the broad measure of unemployment. This implies that those who were without work and did not look for work, might have been included in the strict definition of unemployment. The 2001 figure should therefore, be treated with caution, since it is more of a broad definition. Considering the Namibian situation where a great number of people are willing to work, but have given up looking for work, the broad measure of unemployment would be a better reflection of the unemployment problem in the country. As evidenced by both measures, the unemployment rate in Namibia

12 The result of this study must be treated cautiously as the sampling method used leaves much to be desired.

13 Non stated activity refers to the situation when some of the people did not specify the category they belong to, while the economically inactive consists of groups such as students, old-age persons, disabled and retired people.

though has been high over the past 14 years, it remained stable. This problem is compounded by a significant proportion of underemployment[14], estimated at 15 percent of the employed population. This situation demands that job creation should continue to be one of the top priorities of the Government. It is also, however, important to mention that, notwithstanding the high unemployment rate over the period under review, the rate did not deteriorate during this period.

When looking at the unemployment rate from a gender perspective, it becomes clear that this problem is generally greater among females, notably young females (Table 2). In the age bracket of 20-24 years, female unemployment increased from 41.7 percent in 1997 to 51.9 percent in 2001, compared with a more gradual increase from 33.7 percent to 42.6 percent over the same period, for the male counterparts.

Table 1. Labour Force, Employment and Unemployment

Year	Employed	Unemployed	Labour force	Strict	Broad
1991	388,014	91,765	479,779	19.1 %	-
1993/94	350,280	84,398	434,678	19.4 %	-
1997	401,203	97,121	498,324	19.5 %	34.5%
2000	431,949	109,598	541,547	20.2 %	33.8%
2001	409,591	185,258	594,849		31.1%[15]

Source: NPHC, 1991 and 2002, NHES 1993/94 and NLFS 1997 and 2002

1.3 CHARACTERISTICS OF THE UNEMPLOYED[16]

The characteristics of the unemployed are analysed in respect of the following categories: age and gender, educational qualifications and urban vs. rural distribution. This section has therefore focussed on the developments in unemployment in respect of these categories.

(a) Age and Gender

The unemployment rate is more acute among the Namibian youth, particularly in the age group of 20-24 years. In this age group, unemployment stands at 46.9 percent of the total population of this age bracket, which is the largest of all the age groups. It should be noted that the rate of unemployment declines progressively beyond the age of 24 years, implying that employability in Namibia increases with age.

Table 2. Distribution of Unemployment by Age and Gender (Broad definition)

Age Group	2001		
	Female	Male	Total
15 – 19	44.0	37.1	40.4
20 – 24	51.9	42.1	46.9
25 – 29	42.6	31.3	36.8
30 – 34	33.8	23.1	28.3
35 – 39	27.5	18.8	23.1
40 – 44	23.8	15.6	19.6
45 – 49	24.1	16.4	19.9
50 – 54	21.4	15.5	18.1
55 – 59	22.9	17.4	19.6
60 – 64	18.5	18.6	18.6
65 +	18.7	21.9	20.5
Not stated	31.3	26.3	28.0
Unknown	- - -	- - -	- - -
Total	35.9	26.8	31.1

Source: LFS 1997 and NPHC 2001

14 Underemployment refers to those persons in paid or self-employment, who work less than the normal duration of work for the activity, and they are willing to take additional employment but they can't do so.

15 Although this figure is officially reported under strict definition, it was reported that enumerators did not probe the situation carefully to filter out persons who did not look for work, consequently, the outcome was a broad measure of unemployment.

16 This section attempted to compare 2001 data to 1991 data, however, the age group structure in 1991 census could not make this comparison possible.

The reason why unemployment seems to be high in the female category compared with their male counterparts could be attributed to, both economical and cultural factors. In the past, males were given more preference than their female counterparts, by family and tradition, to go to school. This reflects a strong element of gender bias. As a result males may be relatively better skilled and therefore more employable than their female counterparts.

(b) Education

There are different ways of assessing and measuring the level of human capital in a country. In this regard, the Namibia Labour Force Survey (NLFS) 2000 uses an indicator of educational attainment, defined in terms of the level of formal education gained by an individual, without necessarily having completed the registered course. Other means of acquiring knowledge and skills, such as participation in special training programmes, on-the-job training and work experience, are thus not included as measures of educational attainment. Generally, a higher level of education increases opportunities for individuals to acquire employment. In Namibia, this is also the position as demonstrated by the fact that most unemployed people are those with only a primary school education with the unemployment rate of 36.2 percent. This is followed by junior secondary and senior secondary school graduates with unemployment rates of 28.1 percent and 25.0 percent, respectively. The implication is that a better educational qualification, increases the employment opportunities of individuals. This is also attested by the decreasing trend of the unemployment rate for those with a grade 12 certificate, university and post-graduate degree qualifications. It is also worth noting that people with teacher training qualifications are all employed. This is due to the fact that there is still significant room for the absorption of qualified teachers. This is reflected by the high national ratio of 11 percent of unqualified teachers in 2001.

(c) Rural and Urban

Unsurprisingly, the unemployment rate seems to be higher in the urban areas compared to unemployment in the rural areas. This is shown by an average unemployment rate of 24.0 percent for the urban areas, compared to 16.6 percent for the rural areas. This position could be justified by the bias towards urban migration, as people moving from rural areas to seek greener pastures and better opportunities in the more developed urban areas. This situation does not only put pressure to the limited infrastructure in the urban areas, but also leads to the deterioration of the living standards of people, such as a lack of access to portable and clean water and sanitation.

There is also high rate of unemployment among people with no education or primary and junior secondary school education in rural areas compared with their counterparts in urban areas. Conversely, the unemployment rate is high for people with senior secondary school education in urban centres, compared with their counterparts in rural areas. The reason could be that it is difficult to find qualified people to match the job requirements of the available vacancies in the rural areas. As a result, senior secondary school graduate end up filling these positions, even if they strictly do not meet the job requirements. This is evidenced by the ratio of unqualified teachers in the rural areas, which is higher than the national average.

Table 3. Unemployment Rate by Educational Qualification, Area and Gender - (Strict Measure)

Educational attainment	Urban			Rural			Namibia		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
No education	23.8	14.5	17.2	4.3	6.5	5.6	7.1	8.3	7.8
Primary education	79.2	47.3	57.0	18.2	25.2	21.9	37.1	35.6	36.2
Junior Secondary education	33.2	25.4	29.5	25.6	27.2	26.3	29.8	26.1	28.1
Senior Secondary education	24.0	21.2	22.6	33.6	27.0	30.5	27.0	22.9	25.0
After Grade 12 Certificate	3.2	6.2	5.0	1.3	5.6	3.3	2.4	6.0	4.4
University	0.7	1.0	0.9	0.0	0.0	0.0	0.6	0.9	0.7
Post-Graduate degree	1.4	3.9	2.6	23.0	0.0	12.1	3.8	3.5	3.7
Teacher training	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Not reported	30.3	29.0	29.4	0.0	6.7	4.3	21.2	22.5	22.0
Total	**27.2**	**21.2**	**24.0**	**16.3**	**16.9**	**16.6**	**21.5**	**19.0**	**20.2**

Source: Namibia Labour Force Survey, 2000

1.4 Linkages Between Unemployment And Economic Growth

It is a common view that economic growth and unemployment go hand in hand, but higher productivity could also result into higher growth with fewer jobs. This makes the relationship between growth and unemployment more complicated. This complex relationship in the case of Namibia is shown by the positive growth registered by the economy over the past years, which did not seem to have been translated in the reduction of the unemployment rate. This situation suggests that not any type of growth would reduce unemployment. Therefore, what is required for Namibia is pro-employment growth, in other words growth that will be generated by labour intensive production techniques. It is, therefore recommended that strategies aimed at stimulating the economy should have employment creation considerations.

1.5 Causes Of Unemployment In Namibia

The task of determining the causes of unemployment is by no means a simple one. Unemployment could be influenced by a combination of factors ranging from the structure of the economy, macroeconomic and socio-economic factors to more micro factors such as the shortages of skills. An attempt is made here to discuss the possible potential factors which influence unemployment in Namibia.

1.5.1 Structure of the economy

The anecdotal evidence shows that the structural characteristics of the Namibian economy could be one of the major causes of unemployment. The sectors, in which the economy holds a production advantage to support growth and employment creation such as fishing and mining, are capital intensive by nature. This implies that only a relatively small proportion of the labour force can be employed in these sectors. Table 4 indicates that these sectors have employed 1.8 percent and 0.9 percent, respectively of the total labour force, despite their contribution of 4.2 percent and 7.8 percent in 2000 to the gross domestic product of the country.

The agricultural sector, which traditionally has been the largest employer in Namibia, has been shedding labour over the past few years. In 1997 this sector contributed about 36.6 percent to total employment but in 2000 however, this figure stood only at 29.3 percent. The decline in agricultural employment is explained by the falling output in this sector. As can be seen in Table 5, the agricultural production has declined from N$1 009 million or 6.9 percent of the GDP in 1999, to N$905 million or 5.7 percent in 2002. In 1980, agriculture constituted 10.7 percent of the GDP. Factors such as the reduced and erratic rainfall, as well as the problem of bush encroachment could be responsible for the weakening production in the agricultural sector.

Chart 1. Real Beef Price and Employment

Another factor explaining the fall in employment in the sector is the development in real meat prices, which depends highly on external forces of demand and supply. The analysis shows that there is a positive relationship between meat prices and employment creation in the sector (Chart 1). It further shows that both the real meat prices and employment in agriculture have been declining since the 1960s. This trend suggests that as long as real meat prices continue to decline as depicted in the chart above, employment in this sector will continue to fall.

Table 4. Employment by Sectors in Percentages (1997 and 2000)

Industrial Classification	1997	2000
Agriculture	36.6	29.3
Manufacturing Production	6.5	5.3
Mining	1.6	0.9
Fishing	1.7	1.8
Wholesale/ Retail Trade and repair of Motor Vehicles	8.4	9.0
Others	45.2	53.7
Total	**100**	**100**

Other sectors that have contributed to employment are the wholesale and retail trade, repair of motor vehicles, manufacturing production, real estate, property renting, business services and other social services. Their capacities and contributions to the GDP are however, relatively small and insignificant, to absorb a significant proportion of the labour force.

The manufacturing sector, which contributes greatly to employment in many economies, is relatively small in Namibia, accounting for only about 10.3 percent of GDP. According to the Labour Force Survey data, manufacturing employment as a percentage of the total employment, declined from 6.5 percent in 1997 to only 5.3 percent in 2000. There are several reasons which could explain the slow growth rate of the manufacturing sector in Namibia. The membership of Namibia in SACU which implies that the manufacturing entities of the country, have to compete with well-established industries in South Africa. It is however, also worth mentioning that Namibia enjoys other benefits from the customs union. These include free access to the markets of other member countries, revenue in terms of the SACU receipts, and free movement of the factors of production between the member states etc. It is essential to note that Namibia opted to remain in the customs union because the benefits derived from this membership exceed the costs. Other factors that have led to a weak manufacturing base are the small size of the market, the lack of skills and technological know-how, among others.

Table 5. GDP at constant 1995 Prices (N$ Millions)

	1999		2000		2001		2002		2003	
	Value	%GDP	Value	%GDP	Value	%GDP	Value	%GDP	Value	%GDP
Agriculture	1009	6.9	1056	6.9	899	5.8	905	5.7	880	5.4
Commercial	495	3.4	648	4.2	589	3.8	596	3.8	623	3.8
Subsistence	514	3.5	408	2.7	310	2.0	308	1.9	257	1.6
Fishing	559	3.8	641	4.2	629	4.0	648	4.0	729	4.4
Mining	1210	8.2	1190	7.8	1117	7.2	1160	7.3	1107	6.7
Manufacturing	1515	10.3	1570	10.3	1657	10.7	1779	11	1831	11.2
Other	10297	71	10643	70.4	11155	72	11467	72	11894	72.3
Total	**14591**	**100**	**15100**	**100**	**15457**	**100**	**15960**	**100**	**16441**	**100**

1.5.2 Climatic factors

Namibia is prone to droughts. Arable agriculture, where labour-intensive techniques may be an efficient method of production, is still undiversified. These adverse weather conditions have a negative effect on both crop and livestock farming. A combination of these two factors makes it difficult for the country to be self-reliant in terms of food production. In this regard, Namibia depends mainly on South Africa, for most of its food requirements. Such a consumption pattern does not create a significant employment in the local economy, but rather in the exporting country, which supplies Namibia. Similarly, other sectors, such as fishing, suffer from shortages of biomass in the sea, which is the main cause of seasonal unemployment in that sector.

1.5.3 Lack of proper training and skills

The availability of a strong skills base is an essential element of any strategy to reduce unemployment. Namibia is also currently experiencing a serious shortage of skills, especially in the areas of technology. This problem is compounded further by the apparent mismatch between the skills that are developed by the Namibian educational institutions and what the labour market needs. There is therefore a need to address the shortage of skills urgently. Failure to do this could further undermine future growth prospects in Namibia and unemployment would then continue to haunt the country.

1.5.4 Poor Access to Finance

It is clearly documented that access to finance for new businesses, especially for SMEs is major obstacle to economic growth and consequently employment creation in Namibia. Most new businesses and SMEs have neither a track record nor the conventional collateral which banks would require to advance credit. The problem seems to be compounded by the presence of a thriving property market as well as a high demand for consumer credit. Mortgage and instalment credit account for more than half of the total lending by banks, leaving only a relatively small portion for other types of financing. The absence of well developed other financing vehicles, such as private equity, makes life even more difficult for new businesses and SMEs.

1.6 CONSEQUENCES OF UNEMPLOYMENT

1.6.1 Poverty

Unemployment is a cost for the whole economy. One of the most conspicuous costs of unemployment is without doubt, its impact on poverty in Namibia. Poverty has different dimensions. The most common is that of being consumption-poor. The Government of Namibia classifies a household as being "relatively poor" if it devotes over 60 percent of its expenditure on food, and as being "extremely poor" if such expenditure exceeds 80 percent. Using this definition, 38 percent of Namibian households were relatively poor and 9 percent were extremely poor in 1994 according to the National Household Income and Expenditure Survey (NHIES). Since consumption alone, does not determine the quality of life, other dimensions such as health, education, and interaction with society are used to measure the extent to which people suffer from poverty. Whether or not the extent of poverty in Namibia has changed since 1994, will only be revealed by the results of the NHIES that is currently being undertaken.

The Namibian labour market has characteristics which distinguish it from many other countries in Sub-Saharan Africa. Among the most prominent of these characteristics is the relatively high proportion of households (48 percent in the country as a whole) which rely on wages and salaries as their main source of income. This proportion rises to as much as 76 percent in urban areas. About 85 percent of consumption-poor households are located in rural areas, making their living from subsistence farming. Poverty is further, concentrated in particular groups that have been historically disadvantaged. Other characteristics of poverty include the kind of activities the poor are involved in. As already noted most of the subsistence farmers are in the poor category. Another big group consists of farm and domestic workers. The elderly and people with disabilities, the youth and recent migrants into marginalised urban areas are all affected by poverty. Poverty is also closely associated with environmental degradation. Poverty could also directly contribute to as well as result from the over-utilisation of the natural resource base such as, grazing and arable land, trees and wood land, fish and water resources.

A reduction in unemployment would be the most effective means of achieving a significant reduction in poverty. It would however, not be a universal remedy, especially if the jobs which are created did not pay a fair salary. The basic point is however, that some income is better than none. But, there is also a clear merit in the argument which suggests that the country should try to create jobs which can provide sufficient income to sustain a reasonable standard of living.

There are also other costs which are directly or indirectly related to poverty and unemployment such as crime, social degradation, family separation, disease and prostitution. It is however, not always possible to attribute these problems to poverty and unemployment as there are a number of countries where poverty is rampant, but where these problems are, either absent or insignificant.

1.6.2 Income Inequality

Throughout history economists have been concerned with inequality and equity. Recent studies have indicated that high inequality in a country has a negative impact on economic growth. Economic growth is lower in countries with high inequality than in countries with a more equal distribution of wealth. One reason for this situation is that policies are often in place which protects the interest of a small group of wealthy people thus impeding the development of the whole society. A high inequality in financial means can lead to political instability and may result in low investment.

A widely used measure of income inequality in a country is the Gini-coefficient. Its values lie between zero[17] and one. When it is one, it implies that one person receives all the income whilst the remainder receives nothing, thus indicating the presence of complete inequality and vice versa. The UNDP Human Development Report 1998 indicated a Gini-coefficient of 0.67 for Namibia, which is very high when compared regionally with Tanzania, Zimbabwe and Lesotho with 0.38, 0.57, 0.56, respectively.

According to the 1993/94 Namibia Household Income and Expenditure Survey, 10 percent of all households or 5.3 percent of the population which had the highest per capita income, consume about 44 percent of the total private consumption. The other 90 percent of households or 94.7 percent of the population were consuming the remaining 56 percent. The new NHIES

[17] Every person in the society has the same income, indicating the absence of inequality and presenting conditions of perfect equality.

would indicate whether or not a significant shift had occurred in the area of income inequality.

1.7 Policy Options For Reducing Unemployment and Related Cost

1.7.1 Improving production in agriculture and manufacturing

There is a need for deliberate policies and action programmes aimed at increasing productivity and orient subsistence agriculture towards commercial activities. The effect of low productivity in agriculture has resulted in a low level of food production, which has made the economy import-dependent for basic food commodities. As a strategy, one way of reversing this would be to increase food production in communal areas, in addition to the promotion of the green scheme[18] in suitable parts of the country. It should, however, be recognised that the agricultural sector has a limited potential for the creation of stable jobs. This fact is borne out by the adverse soil and climatic conditions that characterise this sector in Namibia. In such a precarious environment, most sustainable jobs should be created in other complementary sectors such as manufacturing. Raising agricultural productivity would also require programmes aimed at soil upgrading, reforestation and seed and fertilizer supplies.

As pointed out earlier, Namibia has a relatively small manufacturing base. This could be reversed by enhancing the development and promotion of local entrepreneurial skills.

1.7.2 Labour intensive public works

Public works programmes involve the use of Government funds so that unemployed people undertake work which might not otherwise be carried out or supplied by the formal sector. These programmes include the construction of schools, clinics and road works. The approach is to make the work more labour intensive, so that it can absorb as much labour as possible. It should however be pointed out that public works programmes will not be a sustainable solution for unemployment. These are usually short-term measures aimed at providing temporal relief to the unemployed, while at the same time giving them skills that will hopefully enable them to enter the formal job market.

1.7.3 Improving Access to Finance

As indicated earlier, access to finance remains a challenge to many businesses in Namibia, particularly in the SME sector. Since SME development is an integral part of the growth strategy in Namibia, the improvement of access to finance for this sector should remain a priority. In this regard, it will be necessary to take stock of various approaches and initiatives which were proposed and tried in the past and add new ones to be considered, in the light of changing technological, socio-economic and political conditions.

As SMEs would largely need equity financing during the initial stage, consideration should also be given to the promotion of a private equity industry (venture capital). Venture capital, particularly on the basis of private-public partnership, could play a significant role in the promotion of SMEs, through its investment in start-up business support and early stage investment. Public-private partnership however, will only work effectively if there is a strong adherence to corporate governance.

Another way of improving access to finance for SMEs is by strengthening the property rights system. It has been noted that SMEs in Namibia have difficulty in raising finance because they lack the collateral. A well-defined property right system could assist in addressing this problem. There is now ample evidence that people with title deeds, which are documented and registered in the deeds office, have a better chance of raising capital to establish businesses. In Namibia, property rights could be improved by proclaiming more towns, increasing tenure security and deed registration especially in the rural areas and resettlement farms, among other property scenarios.

18 Green Scheme is a project of the Ministry of Agriculture Water and Rural Development that aims to develop 27 000 hectares of irrigation land along the five perennial rivers of Orange, Okavango, Zambezi, Kwando and Kunene in the next fifteen years. The scheme aimed at achieving maximum food security and agricultural production in the country.

1.7.4 Education, Skills and Vocational Training

It was shown in the previous analysis that the most unemployed people are those with little or no education or with only a basic education. This implies that a lack of skills is a major obstacle in the creation of employment and the fact that a large proportion of learners do not reach senior secondary school or tertiary education exacerbates this problem. The mismatch of training rendered by tertiary institutions with the skills required by the employers is also another issue of concern. As stated previously, the availability of a strong skills base is an essential element of any strategy to relieve unemployment. However, it is also feared that the HIV/AIDS may have a negative impact on skills formation if appropriate mitigating measures are not taken. Therefore, the continuous development of skills, together with efforts aimed at minimizing the impact of HIV/AIDS pandemic on the skills formation, could go a long way in addressing the unemployment problem.

1.8 CONCLUSIONS

This chapter has attempted to review the unemployment situation in Namibia. It has discussed both the causes of unemployment and its consequences. This analysis has shown that Namibia has put the emphasis on job creation and poverty alleviation. This has been reflected in the various national development plans and budget statements of the country. Despite these efforts however, unemployment continues to be persistently high and the targets set up in the development plans have not been achieved, as new jobs have not kept pace with the growing number of job seekers resulting from the population growth and migration from rural to urban areas. The review has shown that the unemployment rate is high among the youth, particularly among females. It has also revealed that unemployment is high among those with less than a tertiary education, implying that the lack of skills has aggravated the unemployment problem in Namibia. The most obvious consequences of unemployment to the society are income inequality and a relatively high incident of poverty with related problems such as crime, social degradation, family separation etc.

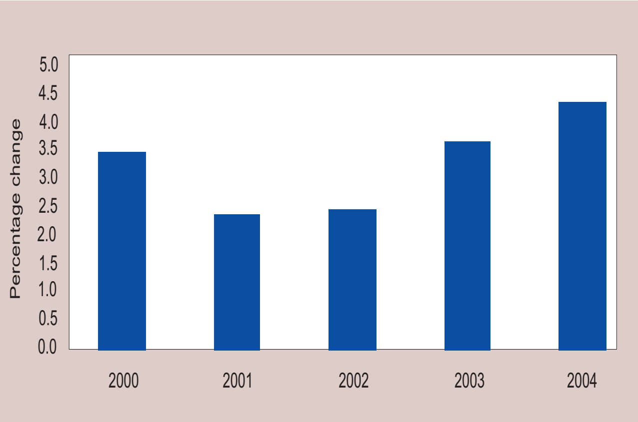
The review has found that the structure of the economy is one of the major causes of unemployment because the sectors in which Namibia has resource endowment are highly capital intensive. As a consequence, substantially high growth rates from labor-intensive production techniques are required to significantly reduce the unemployment problem by 2030. This implies that policymakers should focus on strategies that could promote pro-employment growth.

To address the unemployment problem, the review has suggested a number of policies and strategies. These have included, the raising of production in agriculture and manufacturing, the introduction of labour intensive public works, the improvement of the access to finance, the improvement of education, skills and vocational training.

CHAPTER 1. THE REAL ECONOMY

The Namibian economy has performed relatively well during 2004, reaching an estimated annual growth rate of 4.4 percent. The growth in 2004 seems to have been driven largely by an improvement in the primary sector, particularly the mining sector, while the agriculture sector has performed below expectations. Both the secondary and tertiary sectors performed better than during the previous year.

Chart 1.1 Annual Changes in Real GDP



Source: CBS and BoN for 2004

1.1 GROSS NATIONAL INCOME AND GROSS NATIONAL DISPOSABLE INCOME[19]

According to the preliminary national accounts data, the nominal Gross Domestic Income (GNI) increased to N$34.8 billion in 2003 from N$31.9 billion in 2002, while Gross National Disposable Income (GNDI) rose to N$38.5 billion in 2003 from N$35.0 billion recorded in 2002. The GDP rose to N$32.3 billion in 2003 compared with the N$31.5 billion recorded in the preceding year. Both the GNI and GNDI have continued to be higher than the GDP in 2003. This relationship has been experienced since the 1990s and has been largely underpinned by the large routine transfers from the SACU pool. The new developments in the SACU regime might however, bring new changes in this trend. It is expected that the SACU transfers are likely to fall due to the effects of trade liberalisation[20] and the new revenue sharing formula that would come into effect in April 2005.

Looking at GNI in real terms, a growth rate of 5.2 percent was recorded in 2003, compared with a decline of 3.3 percent recorded in the preceding year. The increase was mostly attributed to a remarkable rise of 56.3 percent in income receivable from abroad, as more Namibians were employed outside the country. Consequently real GNI per capita rose by 2.8 percent compared to a decline of 5.7 percent recorded in 2002. Similarly, the real GDP per capita went up slightly to N$8 401 in 2003 from N$8 293 in the previous year. The growth in the per capita indicators could imply an improvement in the standard of living of Namibians. Given the high level of inequality in Namibia however, the improvement in the standard of living may have only benefited a relatively small proportion of the population.

1.2 SECTORAL REVIEW[21]

1.2.1 The Primary Sector

While the agricultural sector was expected to perform well as a result of relatively good grazing and increasing international prices, especially for lamb and beef (Chart 1.2), the sector performed poorly. This could be attributed to the fact that the sector depends heavily on livestock marketed.

The value added of the agricultural sector was estimated to have grown only moderately by 1.8 percent during the year 2004, compared to the 2.8 percent recorded during the previous year (Chart 1.3). The lower growth experienced in 2004 was mainly due to the decline in the number of cattle marketed to local

19 The analysis of this section is based on 2003 data because the data for 2004 is not yet available. The figures used in this section are from the latest national accounts of 2003. Since revisions were made to figures in previous years, 2002 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2002.

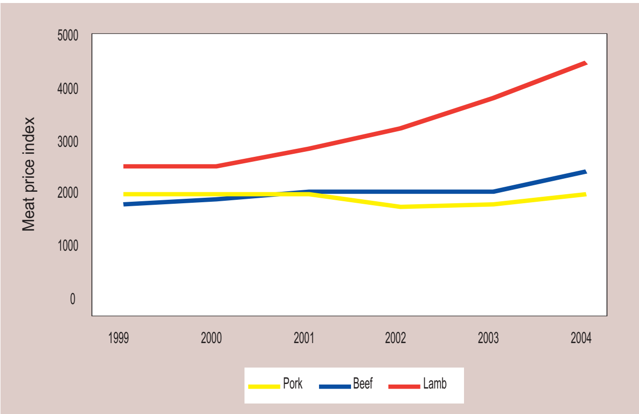
20 These include, among others, the RSA-EU Free Trade Area, SACU-USA Free Trade Area, and WTO-Agreement on Agriculture.

21 2004 data are estimates of BoN and are subject to change when data from CBS becomes available.

abattoirs and butchers during the year, which declined by 7.6 percent. The corresponding rate in 2003 was a decline of 10.9 percent. Responsible for the decline during 2004, was the temporary suspension of Namibian meat exports to the European Union, coupled with the appreciation of the local currency against those of the major trading partners. On the other hand, the on-hoof cattle exported to South Africa increased by 6.7 percent compared with a decline of 12.0 percent in 2003.

The small stock marketed locally, however, increased by 22.4 percent during 2004 compared to a rise of only 5.4 percent during the preceding year. In contrast, on-hoof small stock exported declined significantly by 33.1 percent, responding to control measures in place on live small stock (sheep) exports.

Chart 1.2 International Meat Prices

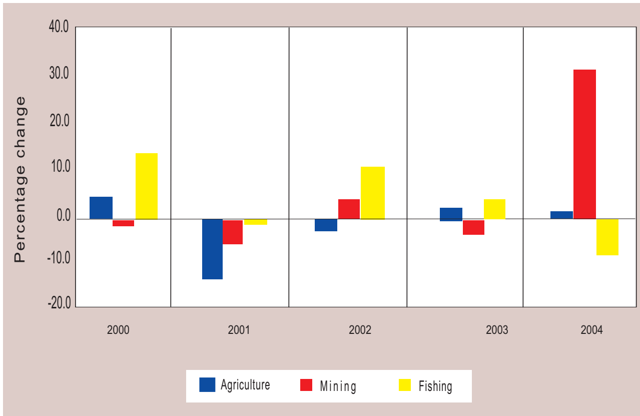


Source: FAO, 2004

Contrary to the previous year, activities in the mining sector have been improving since the beginning of the year 2004. The value added of the sector for the year 2004 was estimated to have increased significantly by 32.3 percent compared to a negative growth of 4.6 percent recorded during 2003 (Chart 1.3). The reversal in the performance of this sector has been due to a strong demand for diamonds on the world market and the resumption of activities of a diamond mine during 2004. As a consequence, the output of the diamond industry was estimated to have increased by 34.7 percent in 2004, compared with the decrease of 4.6 percent recorded in 2003. The output of other minerals such as copper, zinc and silver also showed an expansion, mainly due to the improvement in the prices of base metals and the increased zinc production of the new mine.

During the year 2004, the fishing sector performed poorly (Chart 1.3). The value added of the sector was estimated to have dropped strongly by 9.6 percent during the year 2004. This represents a dismal performance when compared to a growth of 3.8 percent recorded in 2003. This was mainly due to low international prices in certain species and the strong exchange rate of the Namibia Dollar against other major currencies.

Chart 1.3 Real Growths in the Primary Sector



Source: CBS and BoN for 2004

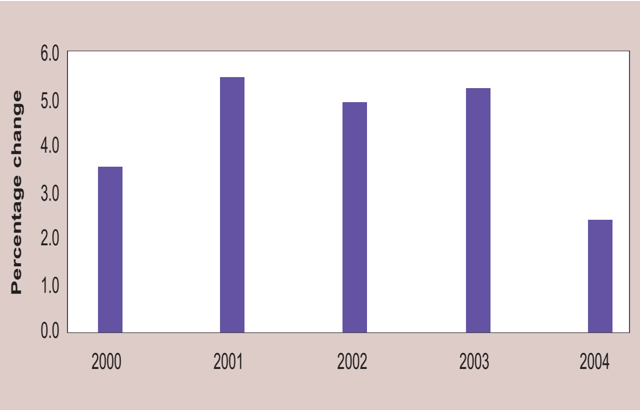
1.2.2 The Secondary Sector

The Manufacturing sector maintained the positive performance, which had been observed during the preceding year, albeit at a slower pace. The value added in this sector was estimated to have risen moderately by 2.4 percent compared with a more noticeable increase of 5.3 percent recorded during 2003 (Chart 1.3). The positive performance was displayed in sub-sectors such as meat processing, especially from small stock, beverages and other food products[22]. The slackening growth in the sector was primarily caused by the decline in the number of

[22] Other food products include sugar, salt, diaries, foams and seal products.

livestock slaughtered, which has already been noted elsewhere in this report and a substantial fall in the volume of exports to the Angolan market during the year, respectively. Exports to the Angolan market continued to be less attractive, following the implementation of a stringent customs regime in that country during 2004. The lower growth in the manufacturing sector was also reinforced by the weak fish processing activities, following a drop in the landings caused by unfavourable marine conditions.

Chart 1.4 Real Growths in the Manufacturing Sector



Source: CBS and BoN for 2004

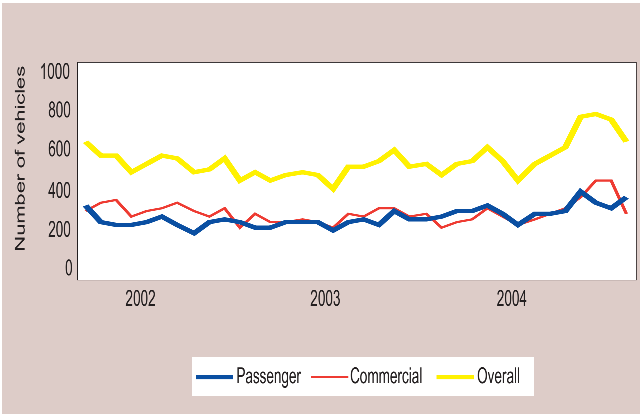
The real value added in the construction sector was estimated to have increased by 4.0 percent in 2004 compared to a significant surge of 46.4 percent recorded in 2003. The major forces behind the massive performance of the previous year, were the low interest rates, large-scale capital projects such as the northern railway project, the new state house and other civil construction activities (roads), which are still on course. This suggests that most of those projects were carried out more intensively during 2003. The growth of the sector during 2004 was however, remarkably smaller as it had been calculated from a relatively higher base. Other relevant indicators such as the number of building plans passed and completed during the year also confirmed the positive performance in the sector.

1.2.3 The Tertiary Sector

The hotels and restaurants sector recorded a positive performance during 2004. According to the preliminary estimates, the value added of the hotels and restaurants sector had increased by 3.1 percent in 2004 compared with an increase of 4.9 percent recorded during the previous year. The relatively lower growth in 2004 was also reflected in the occupancy rates of hotels and restaurants. The room occupancy rate was lower at 41.2 percent during 2004 compared with 45.5 percent in 2003. Similarly, the bed occupancy rate had declined to 29.3 percent from 32.5 percent during the same period. This could be partly attributed to the appreciation of the Namibia Dollar, which may have deterred tourists from visiting Namibia.

The value added of the wholesale and retail trade and repairs sector was estimated to have increased by 5.4 percent during 2004, which was remarkably higher than the 2.5 percent recorded in the preceding year. An environment of low interest rates and inflation remained the main explanatory factor for the good performance by this sector during 2004. The most favourable response was observed in clothing, vehicle and the supermarkets sub-sectors (Chart 1.5). The furniture sub-sector however, displayed a poor performance.

Chart 1.5 Vehicle Sales (Volumes)



Source: Simonis Storm Securities

Preliminary estimates indicated an increase of value added in the transport and communications sector of 7.5 percent during 2004 compared with a 5.3 percent recorded in the previous year. The positive performance of the sector during 2004 resulted from additional subscriptions, especially for the post and telecommunications sub-sector, which recorded an impressive increase of 23.8 percent in 2004 mainly due to the expansion in subscriptions of the cell phone and internet services.

In summary, the activities in most sectors of the Namibian economy performed relatively well during 2004 and as a result, a higher growth rate was estimated, compared with the rate recorded in 2003. A major set back was witnessed in the fishing industry, which recorded a substantial decline in value added mainly due to external factors. These negative effects were, however, counteracted by a remarkable performance in the mining sector.

1.3 DOMESTIC DEMAND[23]

The domestic expenditure showed a remarkable acceleration during 2003. This could be observed in the real gross domestic expenditure, which edged up by 11.1 percent during 2003 compared to a decline of 8.6 percent during the previous year. The respectable growth in the domestic expenditure was explained by a strong increase of 18.6 percent in gross fixed capital formation (GFCF). During the preceding year, this component of the domestic expenditure had not done well, as a decline of 5.1 percent was recorded. Given the remarkable increase in 2003, the ratio of GFCF to GDP had increased to 22.0 percent during 2003 from the 18.7 percent registered during 2002. Both categories of investment expenditure, viz. private and public investments showed strong growth rates, but the latter was more buoyant with an increase of 24.8 percent. Responsible for this growth in public investment was the high number of civil works undertaken during 2003, particularly road and rail construction projects. This was complemented by private investment, which expanded by 15.3 percent, as a result of an increased investment in sectors such as mining, manufacturing, water and electricity and transport and communication.

The real consumption expenditure recorded a rise of 3.5 percent in 2003 compared with a decline 3.7 percent recorded during the previous year. The increase was observed in both sub-categories of consumption expenditure viz. private and public consumption expenditure. In real terms, private consumption had increased by 4.6 percent in 2003, compared to a decline of 6.0 percent in 2002. A moderate increase in real disposable income combined with relatively low interest rates environment, could explain the growth in private consumption. Public consumption further, expanded marginally by 1.4 percent during the same year compared with a growth of 1.2 percent recorded in 2002. As a percentage of GDP, the nominal private consumption edged up from 52.5 percent in 2002 to 55.8 percent during 2003. Similarly, the nominal public consumption to GDP rose marginally to 28.8 percent in 2003 from 27.4 percent recorded in 2002.

Household consumption in Namibia continued to be mainly focused on food, beverages and tobacco while other goods such as clothing and footwear continued to take the smallest share of the income. This is normal for a developing country. The share of food, beverages and tobacco however, declined to 38.9 percent in 2003 from 40.5 percent in 2002 (Table 1.1). The share of "other" goods dropped further to 25.3 percent in 2003 from the 25.7 percent recorded in 2002; while the share of clothing and footwear had also dropped further to 3.7 percent in 2003 from the 3.8 percent recorded in 2002. On the other hand, the

23 The analysis of the section is also based on the 2003 data because the 2004 data is not yet available. Figures used in this section are from the latest preliminary national accounts of 2003, and since revisions were made to previous years, 2002 figures may not necessarily correspond with what was quoted in the Bank of Namibia Annual Report 2003.

share for housing, water electricity and fuel increased from 14.0 percent in 2002 to 15.3 percent recorded in 2003. This was probably a result of the increased prices of these items, particularly the price of fuel.

private sector savings from N$9.2 billion in 2002 to N$10.6 billion in 2003. Gross public sector savings, on the other hand, had increased slightly to N$1.5 billion in 2003 from the N$1.4 billion recorded for the preceding year. The significant rise in national savings could be explained by developments in the gross

Table 1.1 Household Consumption by Purpose, Percentage shares

Consumption Purpose	1998	1999	2000	2001	2002	2003
Food, beverages and tobacco	38.8	41.1	36.8	35.9	40.5	38.9
Clothing and footwear	5.0	4.7	4.2	4.3	3.8	3.7
Housing, water, electricity and fuel	14.1	14.3	14.2	13.8	14.0	15.3
Other goods[24]	26.4	25.5	30.4	31.4	25.7	25.3
Other services[25]	15.7	14.3	14.3	14.6	16.1	16.8
Household consumption on the domestic market	100	100	100	100	100	100

Source: CBS

1.4 SAVINGS AND INVESTMENT BALANCE[26]

The balance between domestic saving and investment reflects the net foreign saving position of the country. Excess saving would lead to net lending to other countries, reflected by an outflow of capital, while the deficiency in national saving would lead to an import of capital through net foreign borrowing. Namibia has always experienced a position of excess saving over investment, which has been reflected by consistent surpluses on the current account and outflows on the capital and financial account of the balance of payments of the country. This situation was also observed in 2003.

Namibia's gross national savings increased further by 14.0 percent to N$11.2 billion during 2003 from the N$9.8 billion recorded for the previous year. This growth was, however, slower when compared to the 21.1 percent observed in 2002. The level of savings in 2003 represented a ratio of 35.0 percent of GDP compared with the 31.0 percent in 2002. The rise was largely attributable to a noticeable surge in the gross national disposable income (GNDI) in relation to the final consumption expenditure. The former variable edged up by about 10.0 percent in nominal terms during 2003, while the latter rose by about 8.0 percent at the same time. As a result, national saving rose significantly.

Gross investment also edged up from N$5.9 billion in 2002 to N$7.1 billion in 2003. This move reflected a relatively high level of investment in 2003, especially in the mining and construction sectors. This growth was, however, substantially lower than that in the gross national savings, thus resulting in a higher savings-investment gap of about N$4.1 billion. This would mean that Namibia maintained its status of being a net exporter of capital, an inappropriate state of affairs for a developing country. In view of this situation, the Namibian Government announced certain measures during 2004, which were aimed at slowing down the export of capital. These measures are yet to be implemented.

24 Leather products, wood products, radios, televisions, watches, clocks, furniture, paper products, chemicals, rubber, plastic products, glass, glass products, fabricated metal products, household appliances and equipment, electrical apparatus and equipment and other unspecified goods and equipment.

25 Repair, lodging, food, beverages, sanitation, transport, postal, telecommunications, financial, Government, social, personal and domestic services.

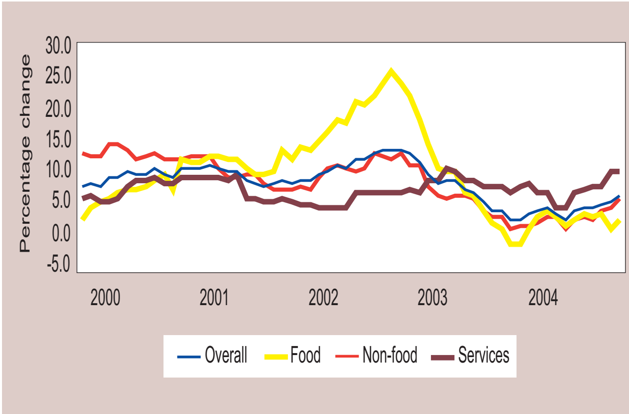
26 The analysis of this section will also focus on the developments in 2002, for the same reasons mentioned in the preceding section.

1.5 PRICE DEVELOPMENTS

The year 2004 witnessed a low but increasing rate of inflation compared with the previous year. The year started off in January, with an annual inflation rate of 2.4 percent, rising to 4.1 percent in April. By June, this rate had declined to 2.2 percent but had increased to 4.9 percent in October before reaching the highest level of 6.0 percent in December 2004. The high inflationary pressure since October 2004 was mainly due to the increase in fuel prices, which were effected during that period. This resulted in an average of 3.9 percent for the year 2004. Despite the rising trend, this rate is significantly lower than the 7.3 percent recorded in 2003. The relatively low annual inflation rate during 2004 was due to a set of macroeconomic forces which prevailed throughout the course of the year 2004. These included a stronger exchange rate, which contributed to the slowdown in the price of imported goods as well as the global deflationary pressures. During 2004, major world economies, viz. those of the US, the Euro zone and Japan experienced some of the lowest inflation rates in modern economic history.

A low inflation was strongly reflected in the prices of both food and non-food goods, which stood at 2.1 percent and 2.6 percent, respectively during 2004, (Chart 1.6). The inflation rate for these items had stood at 8.6 percent and 5.9 percent, respectively during the corresponding period of 2003. Conversely, the movement in the prices for services continued to register high rates although relatively lower than the corresponding rates of 2003. In this regard, inflation for services dropped to 7.3 percent in 2004 from 8.2 percent recorded during 2003.

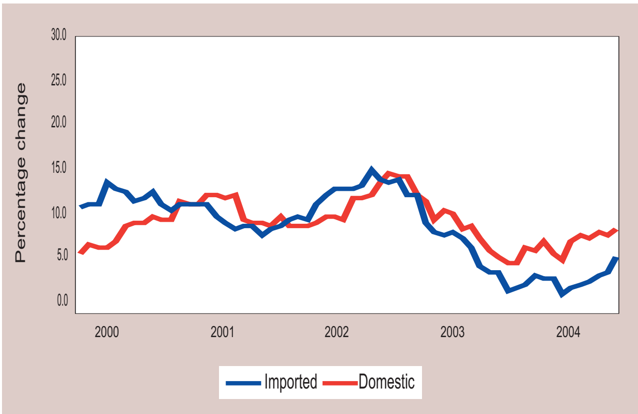
Chart 1.6 Inflation (Annual Changes)



Source: CBS

The analysis of inflation by source has revealed that, although domestic inflation trended downwards, lower price changes were more pronounced among imported goods. This resulted in the domestic inflation moving conspicuously above the imported inflation, a continuation of the situation that started in 2002 (Chart 1.7). Imported inflation dropped to 1.7 percent during 2004 from the 6.2 percent recorded during 2003. Domestic inflation, on the other hand, dropped to 5.9 percent during 2004 from the 8.4 percent recorded during 2003.

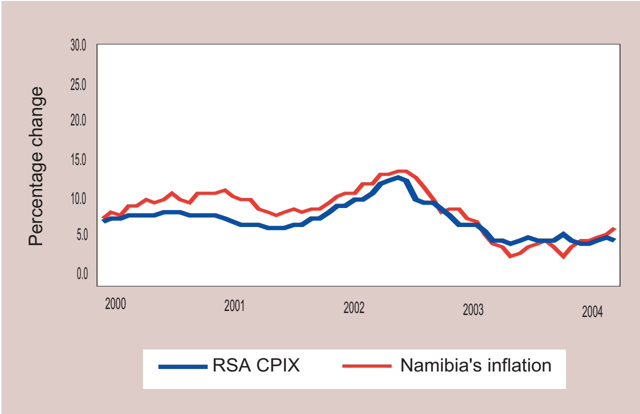
Chart 1.7 Namibia Domestic vs Imported Inflation



Source: CBS

Similarly, inflation in South Africa was substantially lower, although it had been rising during the year. Headline inflation in South Africa stood at 1.2 percent during 2004 compared with the 5.8 percent recorded during 2003. The South African CPIX, which is more comparable to the CPI of Namibia, stood at 4.3 percent during 2004 compared with an average rate of 6.8 percent recorded during 2003 (Chart 1.8). Although the two rates were moving in the same direction, the CPIX had been above the Namibian inflation since September 2003. This trend was however, reversed in August 2004 when the CPIX moved slightly below the Namibian CPI. The downward movement in the CPIX could be attributed to the decline in the fuel prices in South Africa. At the same time, fuel prices increased in Namibia, which contributed to the rise in the CPI. Other major forces at play remained virtually the same in Namibia and South Africa.

Chart 1.8 Namibia's Inflation vs RSA's CPIX

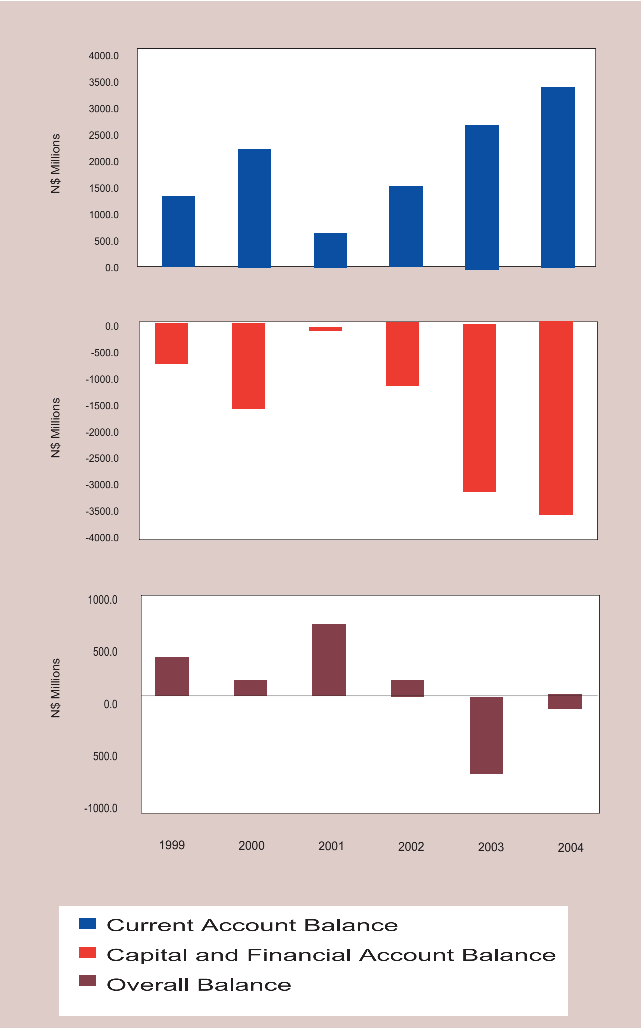


Source: CBS and SARB

CHAPTER 2. FOREIGN TRADE AND PAYMENTS

The overall balance of Namibia's balance of payments is estimated to have continued recording a deficit in 2004, albeit of a smaller magnitude. The reduction in the deficit of the overall balance was driven mainly by increases of 25 percent in merchandise exports and 24 percent in net current transfers. As a result, the deficit on the overall balance decreased to N$133 million in 2004 following that of N$788 million in 2003 (Chart 2.1).

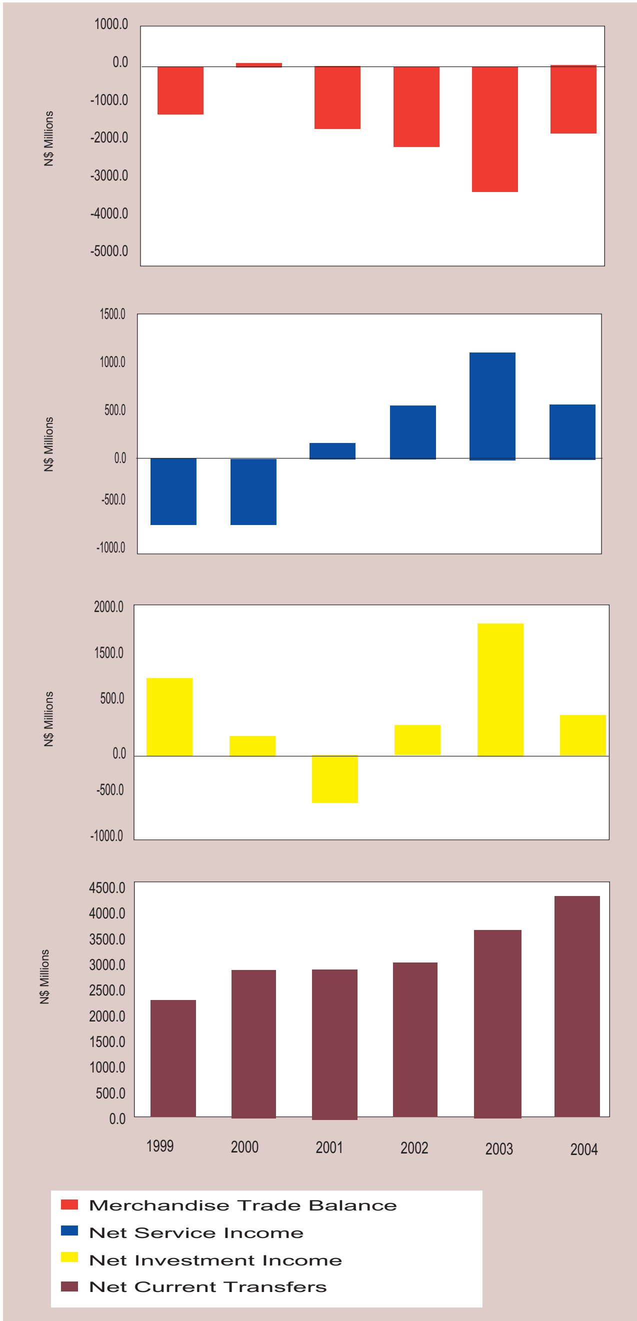
Chart 2.1 Balance of Payments Major Accounts



2.1 CURRENT ACCOUNT

The current account surplus is estimated to have increased to N$3 633 million in 2004 from N$3 012 million in 2003. In relation to the GDP, the surplus increased to 10 percent in 2004 from 9 percent in 2003. The larger increase in the surplus on the current account was due to a narrowing deficit on the merchandise trade balance and the increasing net inflows in current transfers (Chart 2.2). Net inflows on investment income account, on the other hand, slowed down mainly due to a lower interest rate environment.

Chart 2.2 Current Account-Sub Accounts



Namibia's merchandise trade deficit is estimated to have narrowed by 49 percent during 2004 when compared to the previous year. Though the value of merchandise imports had risen, its growth was outweighed by a stronger increase in merchandise exports. The value of total merchandise exports is estimated to have increased by 25 percent to N$11 796 million in 2004 from N$9 463 million during the previous year. The total value of imports is, however, estimated to have increased by only 5 percent to N$13 590 million in 2004 from N$12 944 million in 2003. As a result, the merchandise trade deficit had narrowed to N$1 794 million from N$3 481 million during the previous year.

All the categories classified under merchandise exports (diamonds, other mineral products, food and live animals, manufactured products and other commodities) performed well in 2004 when compared to the previous year. Like in the previous year, the value of most merchandise exports were negatively affected by the strong performance of the Namibia Dollar against the major currencies (US Dollar and Pound sterling). During 2004, however, the negative effect of exchange rate appreciation was mitigated by increased volume in merchandise exports.

The value of diamond exports rose by 38 percent to N$5 318 million in 2004 from N$3 865 million in 2003. Despite the appreciation in the currency, diamond exports rose substantially due to increased volume exported that rose year-on-year by 663 thousand carats. The increased volume in diamond exports was a result of the rise in the world demand. Further, the strong increase in carats exported seemed to have been partly supported by the need to maintain stability in sales with a view to mitigate the negative effects of the appreciation in the exchange rates on earnings and the profitability of a number of big diamond producers.

The value of other mineral products such as copper, unprocessed zinc, gold and others increased by 6 percent to N$1 468 million from N$1 381 million during the previous year. This increase was also on account of a rise in the volume of other mineral products exported during 2004.

The value of food and live animals[27] exported during 2004 is estimated to have increased by 8 percent to N$1 544 million when compared with the preceding year. This increase in the export value of food and live animals was caused by better prices for live cattle exported to South Africa and increased volume of grapes exported to the European Union.

Manufactured products, consisting of processed zinc and fish, beer, soft drinks, ostrich oil and leather, performed better during 2004 when compared to the previous year. The value of exports of these products is estimated to have increased by 4 percent to N$2 782 million in 2004 from N$2 672 million recorded during the previous year. As in the previous year, this was a result of export earnings from refined zinc that is estimated to have risen by N$495 million, following the first consignment of refined zinc exports dispatched during 2003. The increase in export earnings of manufactured products was further supported by the textile exports, following the AGOA initiative. The export value of textiles is estimated to have risen by N$269 million to N$514 million since the dispatch of the first consignment of textiles during the second half of 2003.

The services account continued to record net inflows in 2004, although, at a rate which was relatively smaller than the one recorded in the preceding year. The continuous net inflows in this sub-account are attributable to tourism and business related travel. The stability maintained in the hospitality industry, although it had been slightly negatively affected by the strength of the Namibia Dollar against major currencies, still continued to attract visitors on leisure tours to Namibia.

[27] Consists of live cattle and small stock, cattle cuts, small stock carcasses, canned beef, unprocessed fish, lobster, crabs and grapes.

The net inflow of investment income is estimated to have declined year-on-year by 71 percent to N$509 million during 2004. The slow down in net inflow recorded during 2004 is attributable to the high income paid on foreign direct investment mainly in the form of dividends and retained earnings which slightly outweighed the rise in corresponding receipts.

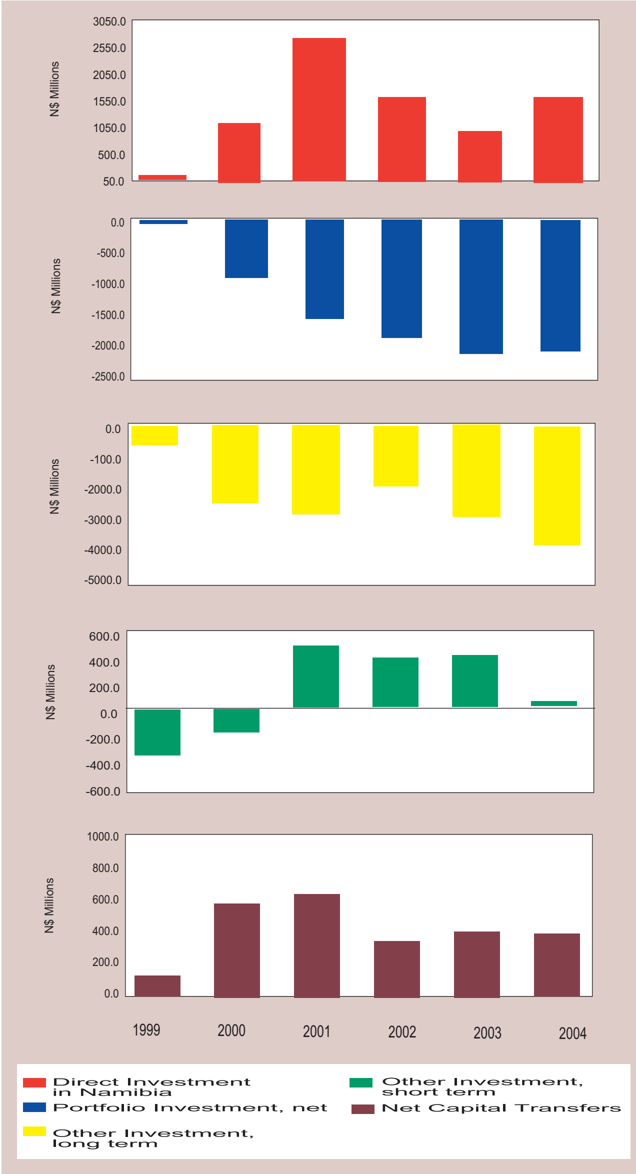
The net current transfers received rose, year-on-year, by 24 percent to N$4 303 million in 2004. The increase was mainly due to a surge in SACU receipts which had risen, year-on-year, by 34 percent to N$3 914 million in 2004. Private current transfers (grants and other transfers to NGOs) received, however, had declined, year-on-year, by 11 percent to N$142 million at the end of 2004.

In summary, in 2004, as during the preceding year, the strength in the external value of the Namibia Dollar has continued to have a negative effect on certain merchandise exports. This negative effect, however, was mitigated by increased volume exports, especially diamonds.

2.2 CAPITAL AND FINANCIAL ACCOUNT

The deficit in the capital and financial account is estimated to have widened, year-on-year, by N$442 million to N$3 689 million in 2004. Significant increases in net outflows of other long-term investments and a decline in net inflow in other short-term investment were responsible for the rise in the deficit in this account (Chart 2.3).

Chart 2.3 Capital and Financial Account Sub-Accounts



During 2004, foreign direct investment into Namibia is estimated to have increased, year-on-year, by 64 percent to N$1 847 million (Chart 2.3). The significant rise in foreign direct investment into Namibia was mainly due to the turnaround in reinvested earnings into an inflow of N$917 million in 2004 from an outflow of N$546 million in the previous year. Equity and other capital, on the other hand, fell year-on-year by N$13 million and N$727 million to N$829 million and N$101 million, respectively.

The net outflows in portfolio investment are estimated to have decreased year-on-year by 2 percent to N$2 171 million in 2004 (Chart 2.3). This is attributed to the decline in portfolio investment in debt securities (bonds) and equity instruments (unit trusts) made by residents in the South African market.

The net outflow in other long-term investments is estimated to have increased, year-on-year, by 29 percent to N$4 040 million in 2004 (Chart 2.3). The significant rise in this category was partly caused by the transactions of the other sectors mainly in the form of pension funds and life assurance assets, and by the repayment of a major external loan during 2004. Year-on-year, net outflows of other sectors increased by 20 percent to N$4 115 million. The depository corporations had, as in the past, recorded insignificant transactions related to other long-term investment. Net inflows in loans to the Government sector had fallen, year-on-year, by 73 percent to N$76 million in 2004.

Year-on-year, net inflows in other short-term investment declined by N$364 million to N$42 million in 2004. This item mainly reflects transactions between resident banks in Namibia and their non-resident parent companies in South Africa. Movements in this account are largely determined by the prevailing climate of credit in Namibia. An increase in the demand for credit is generally mirrored by an inflow of capital into this account, while a depressed demand for credit cause an outflow of capital. The year 2004 was characterized by an expansionary monetary policy and as a result, the demand for private sector credit rose, year-on-year, in 2004 compared to the level recorded in 2003. Consequently, the resident banks decreased their foreign assets to meet the increased domestic demand for credit.

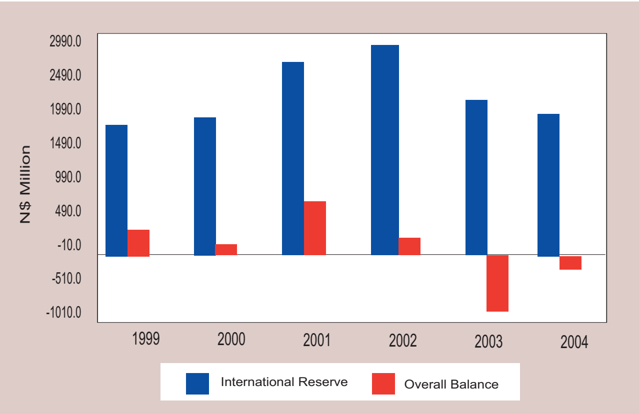
In summary, taking into account all the transactions of the balance of payments, both in the current, capital and financial accounts, the overall balance of the balance of payments recorded a deficit as in the preceding year (Table 2.1).

Table 2.1 Balance of Payments Aggregates

	1999	2000	2001	2002	2003	2004
Current account balance	**1434**	**2488**	**809**	**1671**	**3012**	**3633**
Net Merchandise exports	-1248	64	-1711	-2183	-3481	-1794
Net services	-747	-745	142	602	1295	643
Net investment income	1002	165	-600	370	1759	509
Net Current transfers	2436	3012	2985	2894	3467	4303
Capital and financial account balance (excl reserves)	**-833**	**-1677**	**-128**	**-1219**	**-3247**	**-3689**
Net Capital transfers	140	778	816	429	510	498
Direct investment Abroad	5	-18	109	53	73	135
Direct investment into Namibia	120	1294	3144	1911	1125	1847
Net Portfolio investment	-35	-965	-1,691	-1,975	-2,220	-2,171
Net other long term investments	-684	-2591	-2983	-2047	-3142	-4040
Net other short term investments	-378	-174	478	410	406	42
Net errors and omissions	**-252**	**-703**	**37**	**-262**	**-553**	**-77**
Overall balance	**350**	**107**	**718**	**190**	**-788**	**-133**
Reserve assets	**-350**	**-107**	**-718**	**-190**	**788**	**133**

The stock of international reserves, expressed in Namibia Dollar terms, fell year-on-year by N$133 million to N$1 977 million as at the end of 2004 (Chart 2.4). This level of reserves represents 1.5 months of imports cover, compared to 1.7 months during 2003, still lower than the international standard of three months of imports cover.

Chart 2.4 Stocks of International Reserves and Overall Balance



2.3 REVISIONS ON ANNUAL BALANCE OF PAYMENTS DATA FOR 2003

The data on the balance of payments for Namibia as published in the 2004 Annual Report shows some discrepancies on certain items when compared to the data for the same items published in the 2003 Annual Report. This is because of some revisions that were made to certain balance of payments items for 2003. Revisions were made on the Current Account and Capital and Financial Account items of the balance of payments (Table 2.2). On the Current Account, upward revisions were made to the services and investment income while a downward revision was made to the current transfers. As for the Capital and Financial Account transactions, a downward revision was made to the net capital transfers, while upward revisions were made to the direct investment in Namibia and portfolio investment.

The upward revisions on direct investment into Namibia, net- investment income and services have been caused by an improved coverage and a high response rate on the collected data. On the other hand, the downward revisions on both the current and capital transfers is a result of the drastic decline in development assistance (which is the major component of these items) as is evidenced by the actual data from the National Planning Commission (NPC). Previously, the estimation for this item was based on the high inflow from capital transfers during 2002.

Table 2.2 Balance of Payments Revisions for 2003 (N$ Millions)

	Annual Report 2003	Annual Report 2004	Discrepancy
Current Account			
Services, net	939	1 295	356
Investment Income, net	1 562	1 759	197
Current transfers	3 618	3 467	-151
Capital and Financial Account			
Net Capital Transfers	1 209	510	-699
Direct Investment into Namibia	632	1 125	493
Portfolio Investment, net	-1 878	-2 220	342

2.4 TOTAL FOREIGN DEBT OF NAMIBIA

The total outstanding foreign debt for Namibia is estimated to have decreased by 7.8 percent to N$6.2 billion by the end of 2004 from N$6.7 billion recorded at the end of 2003. The decrease in outstanding foreign debt was due to the principal repayments of the foreign debt of the private sector and that of the parastatals. On the other hand, the total foreign debt of the Central Government increased by 7.0 percent, mainly driven by newly contracted loans by the Government and disbursements from existing obligations during the period. As a ratio to the GDP, the total external debt stock declined from 20.7 percent at the end of 2003 to 17.6 percent at the end of 2004.

Total external debt service[28] for Namibia increased from the level of the year 2003 by 41.0 percent to N$1 billion at the end of 2004. This was due to the principal repayments on the private sector debt, which had increased by 91.7[29] percent to N$481 million, partly as a result of the expiry of the grace period. Similarly, the

28 Repayment of principal and interest payment.
29 The high increase is also attributable to a better coverage of the Bank of Namibia survey.

foreign debt service of the Government and the parastatals increased by 28.4 percent and 12.0 percent, respectively, at the end of 2004 and has also contributed to the increase in foreign debt servicing. The expiry of the grace periods of some of the loans has largely contributed to this phenomenon.

The debt service to the GDP ratio[30] increased from 2.3 percent at the end of 2003 to 3.0 percent at the end of 2004. Similarly, the ratio of the total foreign debt service to the total export earnings increased from 7.8 percent at the end of 2003 to 9.0 percent by the end of 2004.

Table 2.3 Foreign debt of Namibia (N$ Millions)

Foreign Debt	2001	2002	2003 (p)	2004 (p)	% of total[31]	% change[32]
Debt outstanding						
Central Govt	1612	1479	1602	1714	27.8	7.0
Parastatals	2318	1171	1491	1341	21.7	-10.1
Private Sector	1080	1242	3600	3120	50.5	-13.4
Total	**5010**	**3892**	**6693**	**6174**	**100.0**	**-7.8**
Debt service						
Central Govt	87	65	88	113	10.8	28.4
Parastatals	231	267	400	448	43.0	12.0
Private Sector	48	110	251	481	46.2	91.7
TOTAL	**366**	**442**	**739**	**1 042**	**100.0**	**41.0**
In percent						
Debt outstanding to GDP	18.1	12.3	20.7	17.6		
Debt service to GDP	1.3	1.4	2.3	3.0		
Debt service to Export	3.7	3.9	7.8	9.0		
Debt service to external debt	7.3	11.0	10.0	16.9		

(p) Provisional

2.5 INTERNATIONAL INVESTMENT POSITION[33]

Namibia's international investment position (IIP) has deteriorated considerably from a net liability position of N$4.4 billion in 2002 to N$7.2 billion in 2003. The deterioration is the result of a significant increase in foreign liabilities compared with the increase in foreign assets (Table 2.4). The foreign liabilities of Namibia had increased significantly by 20.8 percent to N$26.7 billion at the end of 2003 from N$22.1 billion recorded during 2002. On the other hand, foreign assets improved only by 10.5 percent from the level recorded in 2002 to N$19.5 billion by the end of 2003. Though the position of the IIP seemed to have deteriorated since 2002, it did not necessarily pose serious economic implications for the country, as most liabilities were long term by nature.

Table 2.4 The International Investment Position of Namibia (N$ Millions)

Type of International Investment	2000	2001	2002	2003
Foreign Assets at the end of the year	**12 986**	**16 049**	**17 644**	**19 502**
Direct investment abroad	340	123	170	220
Portfolio investment	8 423	11 533	11 147	15 633
Other assets	2 234	1 690	3 527	1 531
Reserve assets	1 989	2 703	2 800	2 118
Foreign Liabilities at the end of the year	**14 416**	**15 896**	**22 089**	**26 688**
Direct investment into Namibia	9 660	8 671	15 746	19 600
Portfolio investment	219	330	361	383
Other liabilities	4 537	6 895	5 982	6 705
Net Foreign Assets/ Liabilities at the end of the year	**-1 430**	**153**	**-4 445**	**-7 186**

The rise in the country's foreign liabilities during 2003 was mainly due to the strong increase in direct investment into Namibia. The increase in direct investment into Namibia was largely driven by the equity capital, which had increased significantly by 31.7 percent from the level recorded in 2002, to N$15.9 billion at the end of 2003. Other capital investment had also increased slightly, by only 0.9

30 Measures the ability to service debt obligations.
31 Government, Parastatals, and private sector foreign debt as percent of total debt in 2004
32 Percent change in foreign debt between 2003 and 2004.
33 IIP data has a one-year lag, hence, this analysis is for 2003.

percent to N$3.7 billion in 2003. As a result, the total direct investment into Namibia, especially in mining and manufacturing sectors recorded a significant increase of 24.5 percent to N$19.6 billion at the end of 2003, from the level recorded in 2002.

Portfolio and other investments in Namibia also increased by 6.1 percent and 12.1 percent to N$382.9 million and N$6.7 billion, respectively at the end of 2003 from the levels recorded during 2002. Contributing to the rise in other investment liabilities during 2003, was the additional borrowing by commercial banks and private companies from the rest of the world.

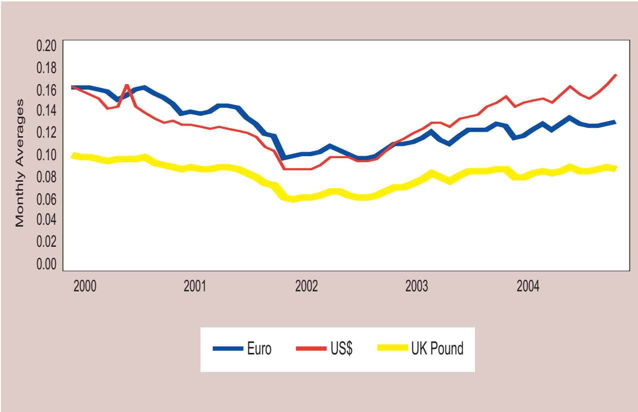
The increase in foreign assets of Namibia in 2003 was mainly reflected in a significant increase in the portfolio and direct investment, which offset the decline in the value of other investment and reserve assets. During 2003, portfolio investments inflows increased remarkably by 40.2 percent to N$15.6 billion when compared with 2002. This was driven by portfolio investment in equity securities by the private sector, especially non-banking and banking sectors, which recorded increases of N$2.1 billion and N$1.5 billion, to N$8.9 billion and N$2.8 billion, respectively. An increase of N$50.0 million experienced in direct investment also contributed to the increase in the foreign assets of Namibia at the end of 2003.

On the other hand, other assets decreased by more than half to N$1.5 billion from the level recorded in 2002. The decline in other assets during 2003 was a result of the foreign assets of commercial banks with their foreign-based parent companies, which decreased by more than 80.0 percent. Similarly, reserve assets also declined by N$681.8 million at the end of 2003.

2.6 EXCHANGE RATE DEVELOPMENT[34]

Responding sharply to the developments on the global front, the Namibia Dollar experienced an appreciation against the world's major currencies during 2004. Most notable, was the appreciation of the Namibia Dollar against the United States Dollar, reflecting the economic difficulties faced by the world's largest economy. On the other hand, the appreciation against the British Pound and Euro was less significant (Chart 2.5).

Chart 2.5 Foreign Currency Per Namibia Dollar



Year-on-year the Namibia Dollar has appreciated by about 14.6 percent, 3.2 percent and 5.7 percent against the US Dollar, British Pound and the Euro, respectively during 2004. The appreciation of the Namibia Dollar during 2004 is explained by a number of factors. These factors include strong commodity prices, especially precious metal prices such as gold and platinum, as well as the continuing high real interest rate differentials between South Africa and her major trading partners. This environment was characterized by a search for higher yields by foreign investors. The instability in the Middle East during 2004 seems to have further weakened the US Dollar against the Rand.

2.6.1 Trade Weighted Effective Exchange Rate Index[35]

On the trade weighted basis, the nominal effective exchange rate (NEER) index for Namibia increased to 97.2 points during 2004 from 95.3 points in 2003 (Chart 2.6). This indicates that the Namibia Dollar had appreciated by 1.7 percent against the currencies of the major trading partners of Namibia during 2004. The real effective exchange rate (REER) index had decreased to 100.3 points in 2004 from 102.4 points in

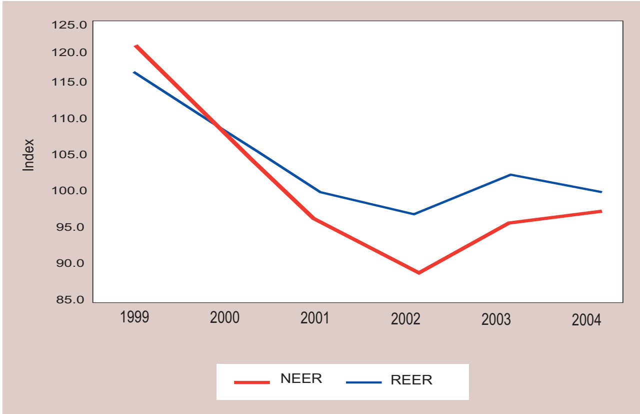
34 The Namibia Dollar is pegged to the South African Rand on a one-to-one basis and is therefore used interchangeably in Namibia, but the Namibia Dollar is not a legal tender in South Africa.

35 The index is based on a geometric formula and the exchange rate is defined indirectly.

2003, representing a drop of 2.0 percent over the given period. The decline in the REER shows the magnitude by which Namibian exports had gained competitiveness on the international markets.

It is however, important to note that the gain in competitiveness might not be reflected in an increased demand for all exportables from Namibia. This is because exportable items such as diamonds are sold on regulated international markets while live cattle is exported to South Africa, a market where prices are quoted in Rand which is trading on par with the Namibia Dollar.

Chart 2.6 Trade Weighted Effective Exchange Rate Indices



CHAPTER 3. MONETARY AND FINANCIAL DEVELOPMENTS

The monetary policy continued to be oriented towards the maintenance of the fixed exchange rate between the Namibia Dollar and the South African Rand. This has been the objective of the monetary policy in Namibia over the past fourteen years and has proved to be effective in attaining the ultimate objective of price stability, as reflected in the single digit inflation recorded in the country.

Since July 2003, the Bank of Namibia has gradually lowered the Bank rate, which is its main operational instrument of monetary policy management. The Bank rate fell from 9.75 percent in September 2003 to 7.50 percent in August 2004 but remained unchanged until December. The last change harmonized the Repo rate in SA and Bank rate of Namibia, which is necessary to prevent an interest rate arbitrage between the two countries. In line with these developments, most money market rates in Namibia also followed suite, registering downward movements during the same period.

Table 3.1 Terminology between old and new ramework of Monetary and financial Statistics

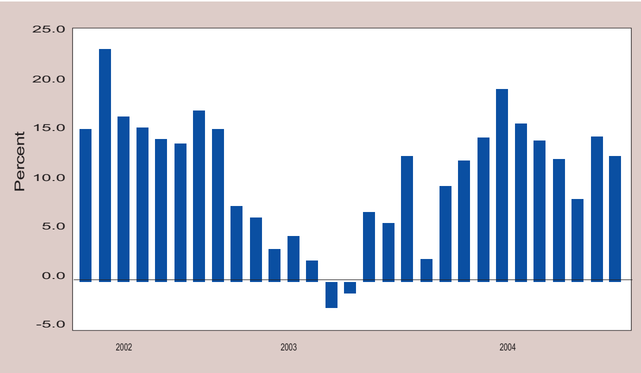
Old Terminology	MFSM (New Terminology)
Banking Survey	Depository Corporations Survey (DCS)
Financial Survey	Financial Corporations Survey (FCS)
Deposit Money Banks (DMB's)	Other Depository Corporations (ODC's)
Other Banking Institutions (OBI's)	Other Depository Corporations (ODC's)
Non-bank Financial Institutions (NBFI's)	Other Financial Corporations (OFC's)
Capital: net worth	Shares and other equity
Non-financial Public Enterprises, or State Enterprises	Public Non-financial Corporations
Credit to Individuals	Claims on other resident sectors
Time and Savings Deposits	Other Deposits
Demand Deposits	Transferable Deposits
All sectors excluding Central Government	Other Sectors

Money Supply

The growth in broadly defined money supply (M2) accelerated during the first half of 2004, expanding substantially by an average of 14.9 percent, compared with an average of 6.2 percent during the corresponding period in 2003. The acceleration in money supply during the first half of 2004 was partly brought about by an increase of 15.8 percent in the net domestic claims of the depository corporations, particularly net claims on the Central Government. Other items net also exerted an expansionary effect on money supply to the tune of 1.7 percent. This was partly offset by the decrease of 30.8 percent in the net foreign assets of the depository corporations.

The growth rate of monetary aggregates continued its increasing pace during the second half of the year to 16.6 percent. The growth for the second half of 2004 was, however, 10.4 percentage points higher than the average growth rate of 6.2 percent witnessed during the corresponding period of 2003. The increase experienced during the second half of the year was due to the rise in net domestic claims of the depository corporations of 21.9 percent, and the Other items net of 2.6 percent, which is more than the decrease in the net foreign assets of the depository corporations. These developments resulted in an average, year-on-year, growth in broad money supply of 15.7 percent in 2004, compared with the 4.1 percent increase during the previous year (Chart 3.1).

Chart 3.1 Twelve-Month Growth Rates in Broad Money Supply



In terms of composition, during the year 2004, the share of currency in circulation and transferable deposits remained more or less unchanged at 4.0 percent and 56.4 percent. The share of other deposits moved slightly downwards to 39.6 percent from 40.7 percent in 2003. This reflected that the preference for liquidity on the part of the public had remained largely unchanged during the year.

Net Foreign Assets

The decline in the net foreign assets of the depository corporations slowed during the first half of 2004, recording an annual average of 30.8 percent compared with an average decrease of 54.2 percent during the same period of the preceding year. The slowdown in the decline of the net foreign assets continued further during the second half of 2004, registering an average of 5.4 percent, which was an improvement when compared with an average decline of 51.7 percent during the corresponding period of 2003. Consequently, the average annual decline in the net foreign assets for the year 2004 was 18.1 percent, compared with a decrease of 53.0 percent in 2003. The development in the net foreign assets reflected a relatively improved balance of payments situation as elaborated in section 2 of this report.

Domestic Claims

The average annual growth rate of net domestic claims, comprising those of the other sectors and the net claims on the Central Government slowed to 15.8 percent during the first half of 2004, compared with the average annual growth rate of 17.5 percent during the corresponding half of the preceding year. It rose to 21.9 percent, however, during the second half of the year, which represents 4.4 percentage points above the 17.5 percent recorded during the corresponding half of the previous year. This increase in domestic claims during the second half was caused by both the net claims on the Central Government and the claims on the other sectors. Consequently, the average growth rate of net domestic claims for the year ending 2004, increased to 18.9 percent from 17.4 percent recorded in 2003.

Net claims on the Central Government increased during the first half of 2004 by an average of 19.4 percent, rising further to 40.6 percent during the second half of the year. The comparative figures for 2003 were an increase of 58.2 percent and a decline of 22.1 percent, respectively. Consequently, the average growth in net claims on the Central Government remained reasonably high in 2004, standing at 30.0 percent, compared with an average decline of 142.4 during the previous year.

Claims on other sectors started the year 2004 with a growth rate of 13.9 percent, moving upwards to 18.6 percent during June, before ending the year on a high note, by recording a growth rate of 20.5 percent during December 2004 (Chart 3.2). This resulted in an increase in the average annual growth rate of 18.1 percent in 2004 from 14.9 percent in the previous year. The increase in claims on other sectors could be attributed to the decline in interest rates which had started in 2003 and had continued throughout 2004

The increase in the claims on other sectors was reflected in the credit to other non-financial corporations. The annual growth rate of claims on the other non-financial corporations rose by an average of 37.3 percent during the first half of 2004, compared with an average of 20.3 percent registered during the corresponding period of the preceding year. During the second half of 2004, the pace of credit growth to other non-financial corporations stood at 29.2 percent compared with an average of 27.3 percent during the same half of 2003. Consequently, the average annual growth of credit extended to other non-financial corporations rose to 33.2 percent during 2004 from 23.8 percent during the previous year. The acceleration in the growth rate of claims to the non-financial corporations, especially during 2004, reflects the eased monetary stance which existed during the period. Similarly, the average annual growth rate of credit to other resident sectors (individuals) rose to 14.8 percent during the second half of 2004 from 10.8 percent during the first half of 2004. The comparative growth rates for the corresponding periods of the preceding year were 9.4 percent during the second half and 11.4 percent during the first half of 2004, respectively. Consequently, the average claims on the other resident sectors increased from 10.4 percent in 2003 to 12.8 percent in 2004 (Chart 3.2).

Chart 3.2 Claims of Other Depository Corporations

An analysis of claims on the other sectors by type revealed that the average annual growth rate of mortgage loans recorded a robust growth rate of 52.6 percent during the first half of 2004, slowing to 18.0 percent during the second half. As a result, the average annual growth rate moved from a decline of 0.6 percent in 2003 to an increase of 35.3 percent in 2004. Similarly, the average annual growth rate of installment sales started off at 17.4 percent during the first half before increasing further to 20.8 percent during the second half of 2004. Consequently, the average annual growth rate increased from 15.4 percent in 2003 to 19.1 percent in 2004. On the other hand, the average annual growth rate for the category "other loans and advances" recorded a decline of 18.8 percent during 2004 from a robust increase of 39.8 percent during the previous year. The growth rate for this category of claims moved from a decline of 58.5 percent in the first half of the year, making a complete turn around by registering a massive growth rate of 68.4 percent during the second half of 2004. Some of these increases could be explained by the classification adjustment that was made by one of the Other Depository Corporations during the year[36].

In terms of composition, mortgage loans accounted for 44.6 percent of the claims on the other sectors, followed by the categories other loans and advances and installment credit with 15.9 percent and 15.6 percent, respectively. The share of mortgage loans was slightly higher than the comparative share of 43.9 percent for the previous year, whereas the share of other loans and advances was lower than the comparative share of 35.2 percent for the previous year. The share of installment credit remained more or less the same at 15.5 percent. This implied that still a larger share of bank lending to the other sectors went to property financing, while only a smaller proportion went to the more productive activities. This situation did not augur well for the growth of the economy.

In terms of sectoral distribution, other resident sectors (individuals) and others continued to take the largest share of the total claims on the other sectors by the other depository corporations, followed by the commercial and services sector. These two sectors accounted for 56.3 percent and 26.8 percent, respectively, of the total outstanding claims at the end of December 2004. The comparative shares for 2003 were 57.5 percent for other resident sectors and others, and 25.1 percent for commercial and services, thus only increasing moderately in 2004. The combined credit extended to the building and construction sector, fishing, agriculture and

[36] One of the ODCs had previously classified some loans as overdrafts and not as part of other loans and advances, this has however, been corrected.

manufacturing, constituted 16.9 percent of the total other depository corporations claims, down from the 17.4 percent recorded during the previous year.

Sector wise, the growth in the commercial and services and the agriculture sectors rose to 28.4 percent and 29.8 percent during 2004 from 14.5 percent and 19.8 percent in the previous year. The analysis however, reveals that the growth in credit extended to the building and construction and the mining and quarrying sector slowed down to 39.9 percent and 30.1 percent in 2004 from 41.5 percent and 44.1 percent, respectively during the preceding year. Growth in credit granted to the manufacturing and the fishing sectors had declined by 6.4 percent and 7.4 percent, respectively during 2004 (Chart 3.3 (a)(b)).

Chart 3.3 (a) Direction of ODC Credit, 2004

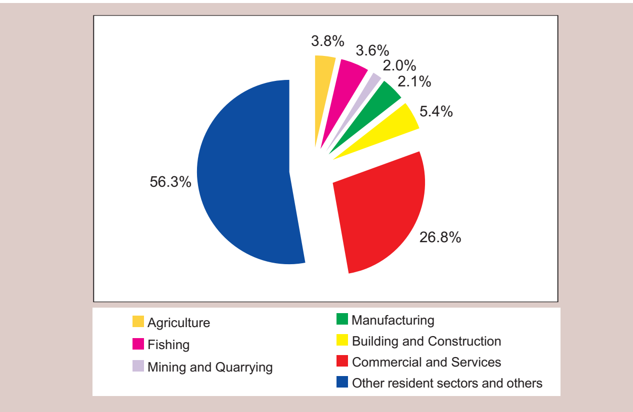
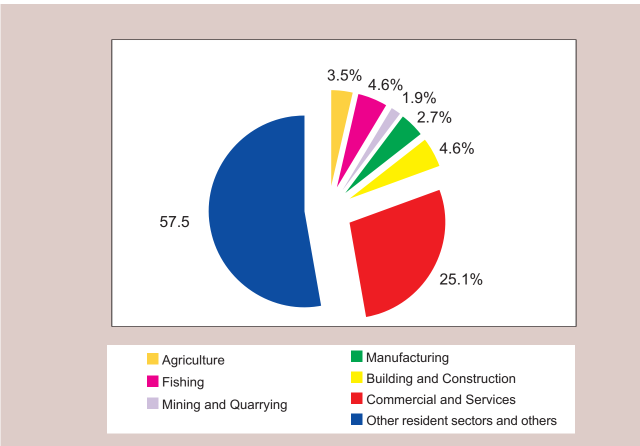


Chart 3.3 (b) Direction of ODC Credit, 2003



Other Depository Corporations Sources of Funds

The total deposits included in broad money held by the other depository corporations had increased to N$15.2 billion by the end of 2004, compared with N$13.0 billion deposits mobilised at the end of the preceding year (Chart 3.4). The share of other sector deposits in total deposits of other depository corporations declined by 2.4 percentage points from 82.1 percent in the preceding year to 79.7 percent in 2004. Deposits from the other non-financial corporations continued to be the biggest component of total other depository corporations deposits held by the other sectors. The share of the other non-financial corporations had increased moderately by 0.7 percentage points from 45.8 percent during the previous year to 46.5 percent during 2004.

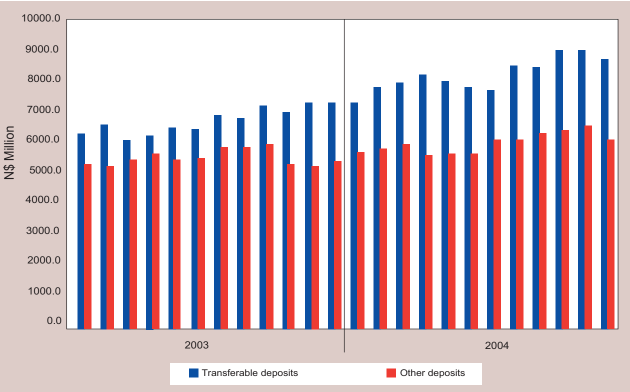
In the same way, resources mobilized from the financial sector rose by N$846.2 million during 2004, as opposed to an increase of N$389.7 million, contributing 12.8 percent, which was higher than the 8.6 percent recorded during the corresponding period of 2003. The share of the other resident sectors, on the other hand, declined by 6.6 percentage points from 39.8 percent during 2003 to 33.2 percent in 2004. On an annual basis, the Central Government deposits increased significantly by N$163.4 million during 2004 to N$349.2 million, compared with an increase of N$25.0 million registered during 2003. This represented 2.3 percent of the total deposits of depository corporations.

The increase in the deposits of other depository corporations over the year 2004 was accounted for by both transferable and other deposits (included in broad money), which recorded increases of N$1.4 billion and N$713.2 million, compared with the increase of N$1.1 million and a decline of N$186.2 million, during the previous year, respectively. In terms of composition, the share of transferable deposits remained more or less constant at 57.6 percent in 2004, moving from 55.1 percent in December 2003. The share of other deposits declined slightly from 44.9 percent to 42.4 percent during the same review period.

The total deposits excluded from broad money increased from N$2.3 billion at the end of 2003 to N$2.4 billion at the end of 2004. Consequently, the total deposits of the Other Depository Corporations increased from N$15.4 billion in 2003 to N$17.6 billion in 2004, registering a growth rate of 14.6 percent.

The increasing trend in transferable deposits (demand deposits) as compared to other deposits (time and savings deposits) was observed since October 1998 (Box Article 1).

Chart 3.4 Year-on-Year Change in Other Depository Corporations' Deposits by Type

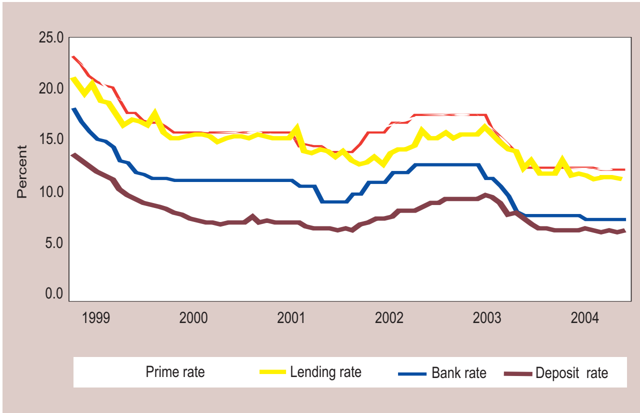


Money Market Developments

Following the decline in the Bank rate in August 2004, most of the other depository corporations adjusted their lending rates downwards. The nominal average prime-lending rate of other depository corporations remained unchanged at 12.50 percent from January 2004 before decreasing to 12.25 percent in September and remained unchanged for the remainder of the year. The nominal average mortgage rates of the other depository corporations however, remained unchanged at 12.25 percent from January to December 2004, implying that this rate did not respond to changes in the Bank rate.

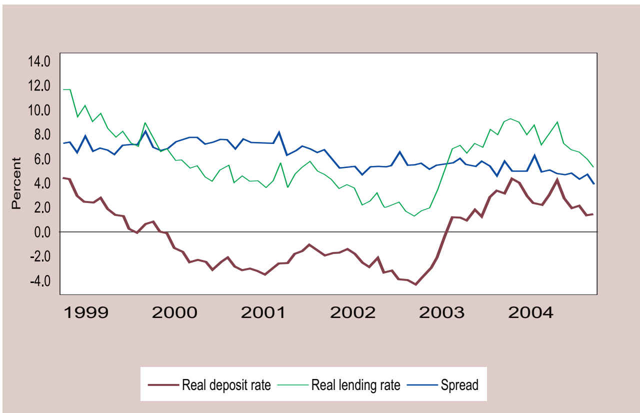
In line with the change in the Bank rate, most money market rates in Namibia recorded declines during 2004 (Chart 3.5). At the beginning of the year, the average lending rate of the other depository corporations stood at 11.54 percent, it then rose to 11.59 percent in June before declining to 10.73 percent in December 2004. The nominal average deposit rate largely followed the same pattern, starting out at a high of 6.48 percent in January, before decreasing to 6.38 percent in June and to 6.36 percent in December 2004. In line with these developments, the nominal spread between the lending and deposit rates narrowed from 5.21 percent during the first half of 2004 to 4.37 percent during the second half.

Chart 3.5 Selected Interest Rates (Namibia)



In real terms, the average lending rate declined from 9.00 percent in December 2003 to 5.23 percent at the end of 2004. In the same way, the average real deposit rate declined from 3.18 percent to 1.41 percent during the same period. Apart from being influenced by declines in nominal rates, the movements in real rates were caused by the rise in the rate of inflation which had been experienced since the beginning of the year, moving from 2.2 percent in January to 6.0 percent by December 2004.

Chart 3.6 Selected Real Interest Rates

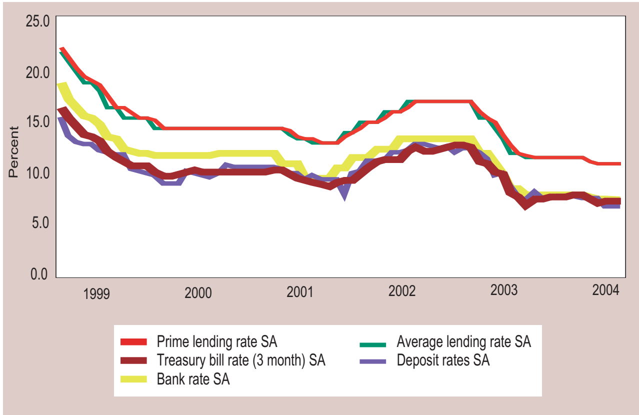


The low interest rates that existed in the other depository corporations were also reflected in the interest rates representing the cost of Government borrowing in Namibia in 2004. The average effective yield for 91-day treasury bills (T-bills) fell from 8.50 percent in July to 7.86 percent by the end of December 2004. Similarly, the average effective yield of the 182-day T-bills declined from 9.05 percent in July to 8.26 percent during December 2004.

The CMA arrangement, of which Namibia is a signatory, makes a comparison between the interest rates of Namibia and South Africa necessary. The Repo rate in South Africa, which is the equivalent of the Bank rate in Namibia, also depicted a declining trend during the year 2004. The Repo rate fell to 7.50 percent during August after having remained unchanged at 8.00 percent since January 2004. In the same way, the average prime lending and the average lending rates declined from 11.50 percent during January to 11.00 percent at the end of December 2004.

Also, in line with these declining trends, South Africa's average deposit rate decreased from 8.05 percent during January to 6.71 percent during December 2004. As a result, the nominal spread between average lending and deposit rates widened to 4.29 percent from 1.9 percent during December 2003. Again, it is worth noting that, while the average lending and average prime lending rates of Other Depository Corporations in South Africa are lower than those of their counterparts in Namibia, the average deposit rates are much higher in South Africa than in Namibia. The prime-lending rate in Namibia declined to 12.25 percent, whereas the one in South Africa declined to 11.00 percent. This led to an increase in the spread between the two rates of 1.25 percent at the end of 2004, up from 1.00 percent in 2003. Similarly, the deposit rate in Namibia declined to 6.36 percent, whereas the South African rate fell to 6.71 percent. Given the above developments, the spread between these two rates declined to 0.35 percent at the end of the year, down from 0.78 percent recorded at the end of 2003. This information shows that while the spread of the lending rates between Namibia and South Africa increased, that of deposit rates narrowed during 2004.

Chart 3.7 Selected Interest Rates (RSA)



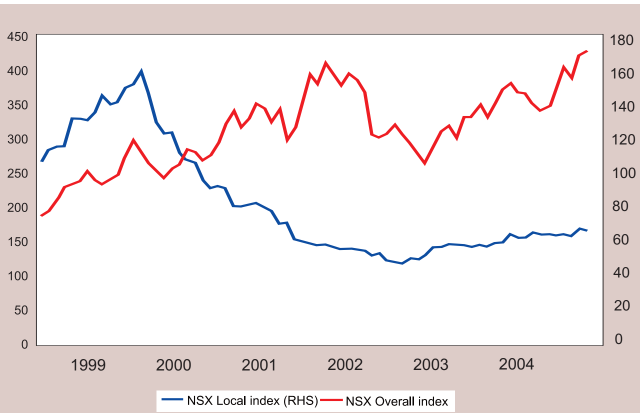
The general current monetary stance was also reflected in the rates representing the cost of Government borrowing in South Africa. In this regard, the effective yield for the 91-day treasury bills fell from 7.89 percent in July to 7.12 percent by the end of December 2004 (Chart 3.7). In the same way, the effective yield for the 182-day treasury bills declined to 8.85 percent in July before falling to 7.4 percent at the end of December 2004. It was however, noted that the yield for the 91-day T-bills had been 0.74 percentage points higher in Namibia, recording 7.86 percent, compared with the 7.12 percent of that of South Africa. Similarly, the 182-day T-bills recorded a yield of 8.26 percent in Namibia, which was 0.86 percentage points higher than the 7.4 percent recorded in South Africa, at the end of December 2004.

Capital Market Developments

Share prices performed relatively better in 2004 compared to the preceding year. The overall price index of the Namibia Stock Exchange (NSX) declined from 370.90 points at the beginning of the year to 344.51 points during July before increasing to 425.93 points by the end of 2004 (Chart 3.8). The increase in equity prices of financial and retail sectors contributed mostly to the good performance in 2004. Since both sectors are relatively interest rate sensitive, the increased share prices in these two sectors could be explained by a benign interest rates environment during 2004. As a result, and coupled with new listings, the overall market capitalization had increased from N$489.6 billion during January to N$573.8 billion during December. Similarly, the overall turnover rose from N$141.3 million at the beginning of the year to N$235.8 million at the end of the year due to the increase in both the volume and the prices of the shares traded.

The local price index also recorded an upward movement, by increasing from a low of 59.51 points during January 2004 and reaching 66.54 points in December 2004. Consequently, the local market capitalization increased from N$2.1 billion at the beginning of the year to N$2.2 billion in June and further to N$2.4 billion in December 2004. As in the overall market capitalization, new listings also contributed to an increase in the local market capitalization. The local turnover increased from N$109.2 thousand at the beginning of the year to N$8.4 million during December 2004. This increase in the turnover was also caused by the rise in the share prices and volumes traded, which in turn were triggered by the demand for locally listed shares.

Chart 3.8 NSX Price Indices

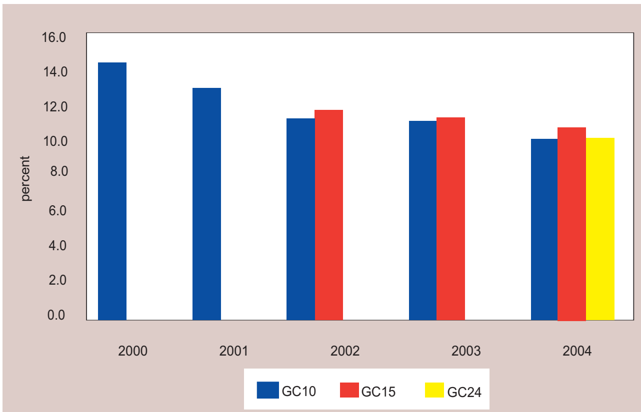


The financial sector (N$290.2 billion) dominated the overall market capitalization during 2004. The mining, retail and industrial sectors accounted for N$201.04 billion, N$47.9 billion and N$32.8 billion, respectively. The contribution by the fishing sector was, however, negligible at only N$1.7 billion. Similar to the overall market capitalization, the value of the local market capitalization was dominated by the financial sector (N$1.6 billion) and the industrial sector (N$599 million) followed by the retail sector with (N$156 million) and the fishing sector (N$62.0 million).

Government Bond Yields

The auction policy of the Central Government affected the allotments of Government bonds during the second half of the year, whereby for some months no allotments were made because of the high prices that the bidders bargained for. This, combined with the eased monetary policy, resulted in a downward movement of bond yields for the Government. Consequently, the effective yield for GC10 decreased from 11.24 percent during December 2003 to 10.38 percent in December 2004. In the same way, the effective yield for GC15 declined from 11.38 percent to 10.68 percent over the same period. Similarly, the effective yield of the GC24[37] declined from 12.25 percent in July to 10.27 percent during December 2004.

Chart 3.9 Government Bond Yields



37 GC24 was issued for first during July 2004

BOX 1 INVESTIGATION OF A TREND OBSERVED IN DEMAND AND TIME DEPOSITS

INTRODUCTION

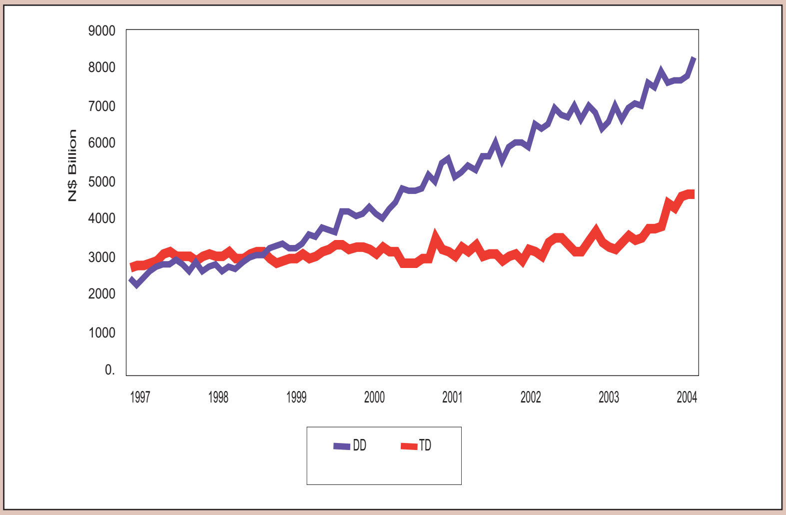
The objective of this article is to investigate, analyse and determine factors that drive both demand and time deposits and why demand deposits have in recent years dominated time deposits.

A demand deposit is a minimal-interest bearing account held by individuals, corporations etc with commercial banks. This deposit is liquid and there is an unlimited access to the money at all times as long as there are sufficient funds in the account. These deposits are normally used for transactions purposes. Time deposit is the deposit of money in an interest bearing account for a specified period with a maturing date. There is limited access to funds placed in this account and access to this money can only be acquired on the maturing date or notice of change has to be given. If a customer requires his/her money before the specified date, a penalty is payable to the commercial bank.

Trends in Demand and Time Deposits

This article covers the period from the year 1997- 2004. Chart 1 below is an illustration of the behavior of demand and time deposits over the years under observation. Between 1997 and October 1998, high time deposits were recorded compared with demand deposits. Thereafter demand deposits started dominating, and remained above the time deposits for the remaining period. It is worth mentioning that the gap between the two variables has been widening since October 1998 (Chart 1).

Chart 1. Demand and Time Deposit Trends



Source: BoN

DD = Demand Deposits

TD = Time Deposits

Factors Influencing the Behavior

Interest Rates

Interest rates, especially deposit rates has been identified as a contributing factor to the observed behaviour. In line with the easing monetary policy, the average deposit rate has declined over the years (Chart 2), especially from 1997 up to 2004. Deposit rates fell from 12.70 percent in 1997 to 10.82 percent in 1999, further down to 6.72 percent in 2002 and even down to 6.38 percent as recorded in 2004. In actual facts, deposit rates from the year 1997 to 2004 fell by almost half. For investors investing in time deposits, it became meaningless and less attractive as lower rates implied lower returns on their investments. Real interest rates over most of the years under review had fallen very low, which was due to the combined effects of declining nominal rates and the increases in inflation, causing investors to move away from long-term investments into short-term investments (Chart 3).

Chart 2. Deposit and Lending Rates

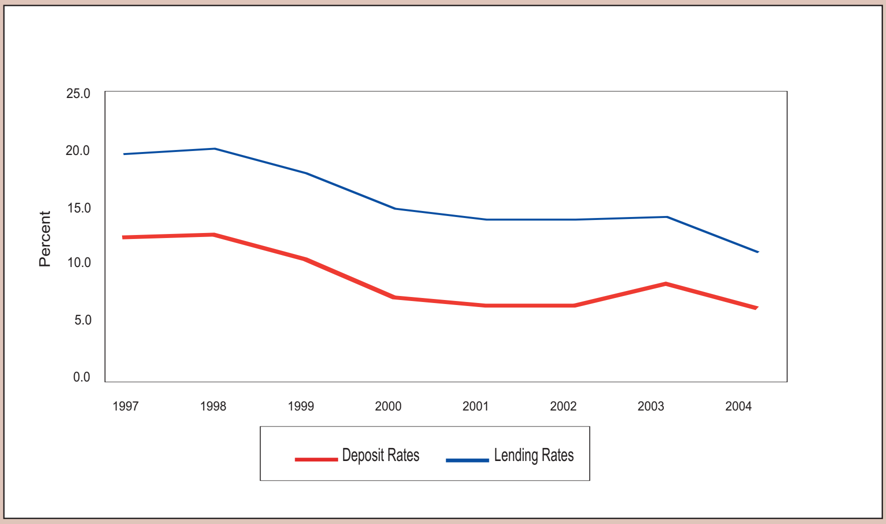
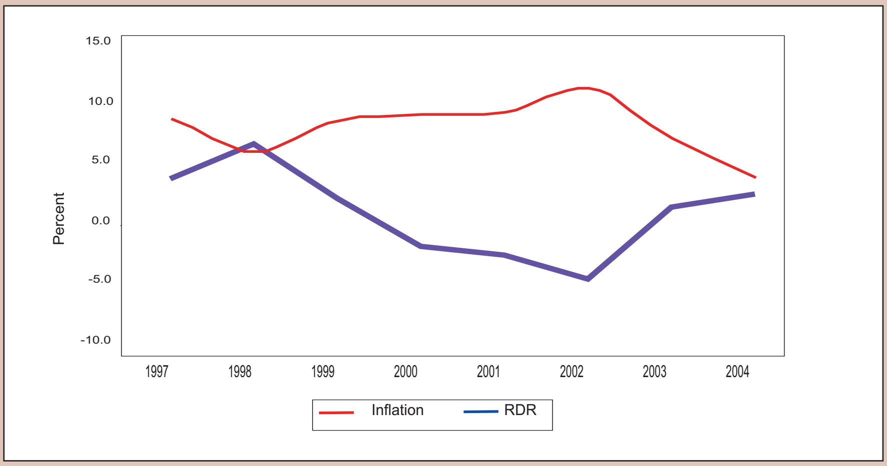


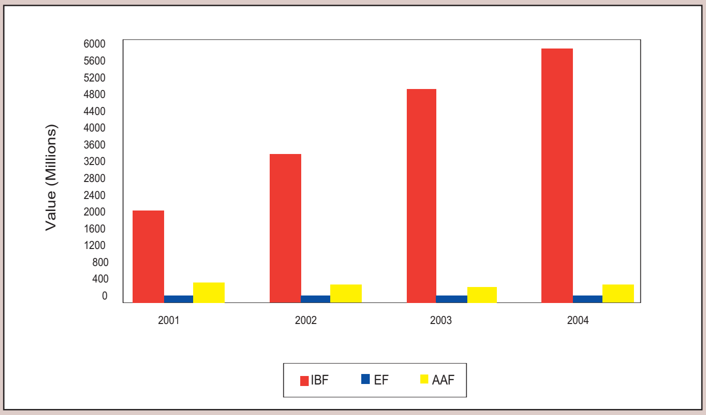
Chart 3. Real Interest Rates and Inflation



Investment Opportunities

As time passed, new investment instruments emerged and investors were exposed to various avenues within which they could invest. Unit Trusts was one investment instrument that emerged around 1994, although it became active in 1998. Unlike time deposits, unit trusts are liquid, have a low risk, offers a high-income yield, provides capital stability and is currently tax-free as well. Most investors may have started migrating towards this instrument because of its liquidity, high returns and tax-free status. An increase in the total assets under unit trust management has been observed between 2001 and 2004 (Chart 4). As shown below, total assets under unit trusts management are comprised of three main funds, namely the interest-bearing funds (IBF), equity funds (EF) and asset allocation funds (AAF), in which the interest-bearing funds form the largest share of the total pool. The money market unit trust, which forms a large portion of interest bearing funds, increased from N$9 million in the year 2001 to N$1.4 billion in 2002. It increased further to N$2.1 billion in 2003 and finally to N$2.4 billion in September 2004. This could have contributed to the stagnation in time deposits over the years.

Chart 4 Total Assets under Unit Trust Management



Conclusion

The purpose of this box article was to establish the reason for the increase in the demand deposits (transferable deposits) compared with the decline in time deposits (other deposits). It has been established that factors such as the huge reduction in deposit rates over the years and the emergence of money market unit trusts have been identified as factors that could have contributed to the decline in time deposits over the years. As a result, the demand deposits have had a larger share in commercial bank deposits since 1998.

CHAPTER 4. PUBLIC FINANCE

The budgetary outturn for the fiscal year 2003/04 recorded an all-time high budget deficit of 7.5 percent of the GDP from the 4.1 percent initially budgeted in the main budget. A lower than expected revenue collected was largely responsible for this situation. The major pressures came mainly from a decline in VAT revenue. Then too, as had been the case during the previous fiscal year, the main budget for 2004/05 was also tabled on the back of the strong exchange rate. This had continued to put pressure on the earnings of exporters, particularly the mining and fishing companies, and subsequently on the revenue of the Central Government. In the light of the weakened fiscal stance during the 2003/04 fiscal year, the decision had been taken not to table the additional budget for 2004/05 for the first time since Independence, in order to demonstrate the commitment of the Government to fiscal discipline.

4.1 REVENUE

The actual total revenue and grants for the Central Government during the fiscal year 2003/04 had declined by 7.5 percent to N$9.7 billion from N$10.5 billion during the previous year (Table 4.1). The revenue was further reduced by 12.8 percent from the level presented in the main budget. This development, which had taken place for the first time since 1990/91, had developed from several reasons, such as the high VAT refunds to exporting companies, the tax cut on luxury goods from 30 percent to a standard rate of 15 percent and lower total sales.

Conversely in the 2004/05 budget, the total revenue and grants of the Central Government was expected to stand at N$12.1 billion, representing a surge of 23.9 percent over the actual revenue of N$9.8 billion in the previous year. As a ratio of the GDP, the estimated total revenue would show an increase of 32.3 percent from the 29.6 percent ratio achieved during 2003/04.

The massive growth in total revenue was expected to come mainly from the SACU revenue. The SACU revenue was estimated to grow by 36.6 percent to N$4.2 billion from the level reached in 2003/04 and would account for 34.8 percent of the revenue. The customs revenue was however, expected to decline in the ensuing years as the new SACU revenue sharing formula came into effect combined with the adverse impact of the trade liberalisation measures which are currently underway. The domestic tax on goods and services, on the other hand, were projected to increase by 51.0[38] percent in 2004/05 compared with the previous fiscal year, in spite of the high VAT refunds to exporting companies. The contribution of the domestic tax to the total revenue was expected to level at 24.3 percent during 2004/05, compared with 20.0 percent during the preceding year. Tax on income and profit was estimated to fall slightly by 1.4 percent to N$3.5 billion from the level of the corresponding period. Despite the drop, this source of revenue would

Table 4.1 Revenue Components (N$ Millions)

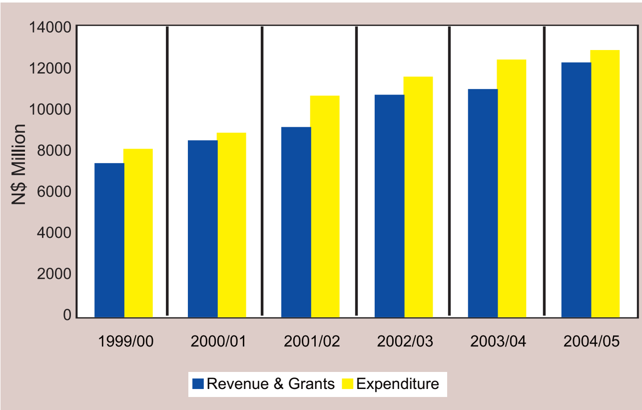
	Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04	Estimate 2004/05
Revenue Components	2315.3	2610.0	3143.0	4442.3	3618.5	3566.6
Taxes on Income and Profits	46.7	63.0	60.0	79.3	75.2	92.8
Taxes on Property						
Domestic Taxes on Goods and Services	1943.5	1945.0	2039.0	2135.7	1950.8	2945.8
Taxes on International Trade	2240.7	2877.3	2641.0	2596.9	3035.7	4206.8
Non-Tax Revenue	605.0	736.0	870.0	1121.1	970.5	1121.3

Source: BoN and MoF

38 The estimate of domestic taxes on goods and services in the Main Budget 04/05 has been revised downwards and will only be disseminated during the presentation of the Main Budget for 05/06.

remain the second largest contributor to the Government coffers, contributing 29.5 percent. Non-tax revenue was forecast to contribute N$1.1 billion, an increase of 15.5 percent over the previous fiscal year.

Chart 4.1 Total Revenue and Grants, and Expenditure



4.2 EXPENDITURE

Notwithstanding the decline in revenue, total actual expenditure for the Government during the 2003/04 fiscal year rose by 7.4 percent to reach the N$12.2 billion mark from N$11.4 billion during 2002/03. This level of expenditure remained largely unchanged when compared to the amount presented in the main budget for 2003/04 (Table 4.2).

Table 4.2 Government Expenditure (N$ Millions)

Items	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Current Expenditure	6884.0	7625.0	8698.0	9503.0	10448.3	10524.2
% of GDP	32.3	31.6	31.5	30.2	31.7	28.1
Statutory Expenditure	512.9	512.0	602.7	907.6	996.0	1176.0
% of GDP	2.4	2.1	2.1	2.9	3.0	3.1
Capital Expenditure	1069.0	1084.0	1786.0	1895.7	1797.0	2168.9
% of GDP	5.0	4.5	6.5	6.3	5.4	5.8
Total Expenditure	7953.0	8709.0	10484.0	11398.7	12243.4	12693.1
% of GDP	37.3	36.1	38.0	36.2	37.1	33.8

Source: BoN and MoF

The total Government expenditure in the budget for the 2004/05 fiscal year was estimated to increase by 3.7 percent to N$12.7 billion when compared with the previous fiscal year. This growth in Government expenditure was attributable mainly to an increase in the capital expenditure which was expected to show a massive growth of 20.7 percent, while current expenditure was estimated to grow by 0.7 percent. The rise in capital expenditure was budgeted to evolve from the progress made on major capital projects, such as the Northern Railway Extension Project, the Trans Caprivi Highway, the Road Rehabilitation Mururani-Rundu and the purchase of a fisheries surveillance vessel. Other important capital and infrastructure projects among others include the rural electrification programme and the rural water supply programme. Capital expenditure was budgeted to represent 5.8 percent of the GDP in 2004/05 fiscal year, an increase from 5.4 percent during the previous period which would contribute 17.1 percent to the total expenditure of the Central Government.

The total current expenditure for this period was budgeted at N$10.5 billion, compared with a N$10.4 billion outturn for 2003/04. As a percentage of the GDP, the current expenditure would amount to 28.0 percent, a reduction from 31.7 percent for 2003/04. This item would account for a substantial part of the Government expenditure amounting to 82.9 percent in 2004/05 fiscal year, a decline from the 85.3 percent recorded during the preceding period. Responsible for the decline was the expenditure on goods and services, which was budgeted to drop significantly by 14.6 percent. Personnel expenditure, on the other hand, was expected to rise by 3.6 percent. Consequently, as a ratio of the GDP, expenditure on personnel would decrease from 15.5 percent to 14.1 percent during the current period. In the same way, subsidies and transfers were budgeted to fall to 6.0 percent from 6.8 percent in 2003/04.

The distribution of total expenditure in terms of economic classification, indicates that the largest category is expenditure on education and educational services at 20.8 percent from 21.6 percent during the previous fiscal year (Table 4.3). Health and social services were expected to account for 9.3 percent of the budget, a slight decline from 9.8 percent. It is worthwhile to note that the percentage share of the community and social services, and the sub- sectors of health and education in particular, were budgeted to fall from the levels recorded during 2003/04. The share for defence was expected to rise from 8.1 percent to 8.7 percent, while the expenditure on general public services was expected to contribute 13.8 percent to the total expenditure, a decline from the level of 14.9 percent recorded for the preceding period. Expenditure on economic affairs and services[39] would continue to rise, as has been the case during the past three fiscal years, accounting for an increase of 10.7 percent from 10.5 percent in 2003/04.

Central Government was expected to be achieved on the back of a projected strong revenue growth of 23.9 percent, while expenditure was estimated to expand by only 3.7 percent at the same time.

The first three fiscal quarters of 2004/05 recorded a cumulative budget deficit of 2.7 percent of the GDP. In the light of these fiscal developments, the target of 1.6 percent of the GDP for the entire 2004/05 fiscal year, as set out in the main budget, might be difficult to achieve, unless the current trends in revenue collection improves and expenditure is tightened considerably. The decision taken by the Cabinet in December 2004, not to table an additional budget for the first time since Independence is commendable and might go along way to prove the commitment of the Government to fiscal prudence. This could also assist

Table 4.3 Summary of Expenditure by Economic Classification (percentage)

	2000/01	2001/02	2002/03	2003/04	2004/05
General Government Services	**32.3**	**33.3**	**36.3**	**32.5**	**31.6**
General Public Services	15.7	17.6	18.8	14.9	13.8
Defence	7.3	7.3	8.3	8.1	8.7
Public Order and Safety	9.3	8.4	9.2	9.4	9.1
Community and Social Services	**49.7**	**49.5**	**48.1**	**49.8**	**48.3**
Education	23.3	21.3	21.0	21.6	20.8
Health	11	10	9.7	9.8	9.3
All other	15.4	18.2	17.4	18.3	18.2
Economic Services	**11.7**	**10.6**	**7.0**	**10.5**	**10.7**
Expenditure not classified	**6.3**	**6.6**	**8.5**	**7.2**	**9.4**
TOTAL EXPENDITURE	**100**	**100**	**100**	**100**	**100**

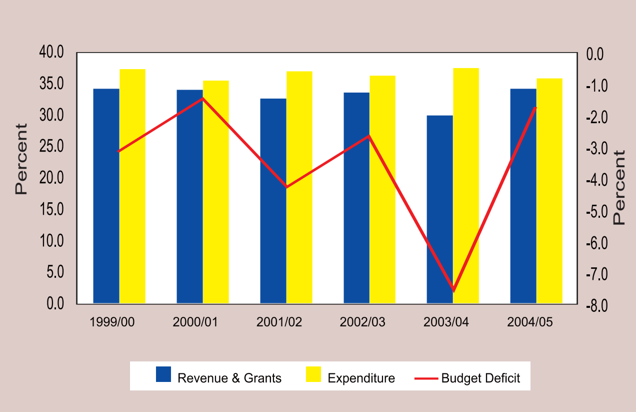
Source: BoN and MoF

4.3 BUDGET DEFICIT AND FINANCING

The budget deficit for 2004/05 was estimated at N$589.0 million or 1.6 percent of the GDP. This represents a substantial decline from N$2.5 billion or 7.5 percent of the GDP recorded in 2003/04, (Chart 4.2). This improvement in the fiscal stance of the the Government to achieve the projected deficit of 1.6 percent of the GDP. This action should further be seen in the light of the commitment by the Government to maintain and uphold fiscal credibility and credit worthiness.

39 Economic affairs include fuel and energy, agriculture, forestry, fishing, hunting, mining and mineral resources, and transportation and communications services.

Chart 4. 2 Budget Deficit, Expenditure and Revenue as percentage of GDP



Source: BoN and MoF

4.4 CENTRAL GOVERNMENT DEBT

The total Central Government debt continued to expand during 2004, although at a slower pace than in 2003. The total outstanding debt stock amounted to N$12.5 billion by the end of December 2004, which represents a growth rate of 25.6 percent in comparison with the 25.2 percent growth during the preceding year as illustrated in Table 4.4. The domestic debt was primarily responsible for the growth in the total debt. The domestic debt increased significantly to finance the gap in budgetary operations especially at the beginning of the year when the revenue collection fell short of the expected target. In addition, foreign debt had increased moderately during 2004. As a ratio of the gross domestic product, the total debt had risen to 35.0 percent during 2004 from 28.4 percent during the preceding year.

Domestic Debt[40]

The total domestic debt had risen significantly during 2004, though at a slower pace than in 2003. The debt stock amounted to N$10.7 billion which represents a growth rate of 27.5 percent, which was lower than the 28.1 percent recorded in the previous year. The greater portion of the domestic debt was in the form of treasury bills, accounting for 54.7 percent, an improvement from 57.9 percent in 2003. The Government stock gained some momentum, contributing 45.3 percent during the current period from 42.1 percent during 2003, which is in line with the Government debt strategy to use more longer-dated securities for funding, to reduce the roll-over risk.

As a percentage of the GDP, the domestic debt increased sharply to 29.8 percent from 23.9 percent recorded at the end of 2003[41]. It was a cause of concern at this level, given the threshold of 20.0 ratio of the total debt to the GDP, as spelt out by MEFMI and Debt Relief International. As noted previously, the major pressures came mainly from a decline in VAT revenue as well as a fall in corporate tax due to the strong exchange rate. As a result, revenue collection was low and caused low cash balances in the state account. Consequently, the Government was forced to issue more domestic papers than had originally been planned to cover the short fall.

External Debt[42]

The stock of the external debt for the Central Government increased considerably during 2004. The stock had increased by 15.7 percent to N$1.9 billion in comparison with the growth of 8.3 percent at the end of 2003 (Table 4.5). Responsible for the rise in the stock of external debt was mostly the increases of both the bilateral and multilateral loans, which had risen by 16.3 percent and 14.9 percent, respectively during 2004. The increase resulted from the disbursements of funds on existing loans, especially those used to fund the upgrading of roads and the extension of the railway line. As a ratio of the GDP, the external debt rose to 5.2 percent from 4.6 percent in 2003. As a proportion of the total debt, it, however, declined to 14.8 percent compared with 16.1 percent during 2003.

The Euro continues to be the major currency in the external debt portfolio of the central Government. As at

40 Domestic debt recorded in nominal terms

41 Some domestic borrowing during 2004 was not used to finance expenditure, but was kept in a sinking fund to serve as contingency for GC05 redemption.

42 Includes loans earmarked for on-lending to third parties.

Table 4.4 Central Government Debt (N$ Millions)

	Actual 00/01	Actual 01/02	Actual 02/03	Actual 03/04	Act 04/05 Q1	Act 04/05 Q2	Act 04/05 Q3
Foreign Debt Stock	**970.1**	**1 560.5**	**1 212.3**	**1 607.2**	**1 713.3**	**1 776.3**	**1 852.6**
Bilateral	625.9	888.7	743.1	925.6	970.0	1 003.0	1 045.5
As % of Total	64.5	56.9	61.3	57.6	56.6	56.5	56.4
Multilateral	344.3	671.8	469.2	681.6	743.2	773.4	807.2
As % of Total	35.5	43.1	38.7	42.4	43.4	43.5	43.6
Foreign Debt as % Export	**10.6**	**15.9**	**10.7**	**12.6**	**13.5**	**14.0**	**14.6**
Domestic Debt Stock	**4 731.3**	**5 946.9**	**6 712.1**	**8 606.1**	**9 147.6**	**10 159.3**	**10 673.1**
Treasury Bills	2 495.1	3 211.1	3 618.4	5 041.2	5 070.9	5 596.9	5 841.5
As % of Total	52.7	54.0	53.9	58.6	55.4	55.1	54.7
Internal Registered Stock	2 236.2	2 735.8	3 093.7	3 564.9	4 076.7	4 562.4	4 831.5
As % of Total	47.3	46.0	46.1	41.4	44.6	44.9	45.3
Other	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Total	**5 701.4**	**7 507.4**	**7 924.3**	**10 213.3**	**10 860.9**	**11 935.6**	**12 525.7**
Proportion of Total Debt							
Foreign Debt Stock	17.0	20.8	15.3	15.7	15.8	14.9	14.8
Domestic Debt Stock	83.0	79.2	84.7	84.3	84.2	85.1	85.2
In % of GDP							
Foreign Debt Stock	3.9	5.6	3.9	4.6	4.8	5.0	5.2
Domestic Debt Stock	17.9	20.1	21.3	24.5	25.6	28.4	29.8
Total	**21.8**	**25.7**	**25.2**	**29.1**	**30.4**	**33.4**	**35.0**

Source: BoN and MoF

the end of December 2004, this currency accounted for the 54.3 percent of the total, which was lower than the 60.1 percent during the preceding year. A significant part of the Euro denominated loans are contracted with the German Government through Kreditansalt fur Weideraufbau (KFW), which constitute 65.4 percent of the total loans from the European Union at the end of December 2004. The Rand increased its share from 14.4 percent during the previous year to the current level of 21.5 percent. Debt denominated in Yuan rose from 9.2 percent to 13.2, while the US Dollar rose to 6.6 percent from 6.3 percent. The remainder of the currencies stayed largely unchanged as can be observed in Table 4.5.

Table 4.5 Currency Composition of External Debt (percentage)

Currency	Dec 2003	Dec 2004
Yuan Renminbis	9.2	13.2
Euro	60.1	54.3
Rand	14.4	21.5
USD	6.3	6.6
Other	10.0	4.5

Source: BoN and MoF

4.5 CENTRAL GOVERNMENT GUARANTEES

The stock of the Central Government loan guarantees improved considerably during 2004. The stock decreased significantly by 20.7 percent to N$2.5 billion at the end of December 2004 from N$3.2 billion in 2003 (Table 4.6). As a ratio of the GDP, loan guarantees issued by the Government fell to 7.1 percent from 9.1 percent during the previous year. The significant drop of 43.9 percent in foreign guarantees was mainly responsible for the massive decline in total guarantees. This was largely due to some foreign guaranteed loans that were fully paid off by the principal borrowers. Consequently, as a percentage of the total, foreign guarantees surrendered its majority contribution since 1996/97, to account for a mere 45.7 percent by the end of December 2004 from 64.6 percent during the previous year. Consequently, the ratio to the GDP of foreign guarantees fell from 5.9 percent in the previous year to a current level of 3.2 percent as shown in Table 4.6.

Table 4.6 Central Government Loan Guarantees

	2001/02	2002/03	2003/04	2004/05 Q1	2004/05 Q2	2004/05 Q3
Domestic Guarantees	828.9	1004.8	1135.5	1237.1	1001.1	1379.6
As % of GDP	2.9	3.1	3.2	3.5	2.8	3.9
Foreign Guarantees	2481.0	2221.6	2067.1	1976.7	2164.5	1161.5
As % of GDP	8.8	6.9	5.9	5.5	6.0	3.2
Total Guarantees	3309.9	3226.4	3202.6	3213.8	3165.6	2541.1
As % of GDP	11.8	10.0	9.1	9.0	8.8	7.1

Source: BoN and MoF

On the other hand, the stock of guarantees issued to domestic lenders by the Government expanded significantly by 21.5 percent above the level in the preceding year. The expansion in newly issued domestic guarantees as well as the massive contraction in foreign guarantees resulted in domestic guarantees to account for the largest share of total guarantees issued by the Government. As by the end of December 2004, domestic guarantees constituted 54.3 percent of total stock of the Government loan guarantees from 35.4 percent during the similar period of 2003. As expected, in relation to the GDP, domestic guarantees rose from 3.2 during 2003 to a level of 3.9 during 2004.

CHAPTER 5. ECONOMIC OUTLOOK FOR 2005

The Namibian economy is projected to stabilize at 3.8 percent in 2005, moderately below the estimated rate of 4.4 percent in 2004. A stable growth in 2005 would be supported by an increasing production of offshore diamond mining and a higher output in base metals, notably zinc and copper. The secondary sector is also poised to contribute significantly to the economy, especially activities such as the refinement of zinc and copper, construction and the manufacture of textiles. Tourism and fishing sectors are also set to recover moderately, accompanied by a strong performance in telecommunications and in the transport sector.

BOX 2. OUTLOOK ASSUMPTIONS

The following assumptions and information were used to forecast key sectoral growth rates for the Namibian economy.

♣ Diamond output forecasts were obtained from the individual diamond mining companies, which in total indicated a production of about 2.04 million carats of diamond in 2005, representing an increase from 1.996 million carats in 2004.

♣ Total zinc output is projected at 184, 349 tons in 2005 as one of the zinc producing mines is expected to produce at full capacity of 150 000 tons. Currently the mine produces between 75 and 85 percent of the full production capacity.

♣ The London Metal Exchange and other reliable sources are predicting a recovery in the prices for most of the base metals in 2004 and 2005. These were used as price indicators for the leading Namibian base metals (copper, uranium, zinc, gold).

♣ The agricultural growth for 2005 rests upon the assumption that farmers will increase the marketing of their livestock compared to 2004 when they opted for restocking due to a good rain season. The growth would also be supported by good weather conditions which would entail an increased crop and cereal production estimated at approximately 150 000 tons in 2005, slightly up from the 147 000 tons recorded in 2004[43]. Agriculture is therefore expected to grow positively in 2005.

♣ There is an assumption that the fishing sector will not recover significantly in 2005, in part due to the strong exchange rate, declining prices in the international fish market and rising fuel prices. This would mean a sluggish growth for the fishing industry in 2005, similar to 2004.

♣ Growth in manufacturing is assumed to be led by processed copper and zinc. It would be further supported by an increase in textile production, as well as a moderate increase in meat and fish processing, in line with livestock marketing and fish landings, respectively.

♣ The buoyancy in the construction sector of the past two years is assumed to continue in 2005 due to a moderate inflation and a low interest rate environment. Growth of the construction sector is predicted to

43 Namibia Early Warning and Food Information Unit (NEWFIU), May 2004.

BOX 2. OUTLOOK ASSUMPTIONS (CONTINUED)

increase depending on Government projects as well as activities in the private sector which are related to work such as residential and commercial building construction as well as engineering work projects. The construction activities of the mining and electric power sectors are also expected to make a significant contribution to these activities[44].

- In the transport and communication sector, the available data on the volumes of output for the cell phone and internet sector was obtained from MTC and I-net for 2004. The data show positive increases in 2004 and the same trend was assumed for 2005.
- Hotels and Restaurants as a proxy for the growth of tourism in the Namibian economy, is expected to be adversely affected by exchange rate movements, the high prices of tourist facilities, and world income levels, as well as the natural disasters experienced in other parts of the world. The sector is expected to grow moderately in line with the global economic recovery.

5.1 REAL SECTOR

The mining sector is projected to stabilize at 2.4 percent in 2005 after an impressive estimated growth of more than 30 percent in 2004. The stabilized growth stems from higher offshore diamond output, as well as the increased zinc and copper production. Other base metals, such as gold, uranium, silver and lead, are estimated to perform positively, provided the global economic growth remains strong, accompanied by increasing commodity prices.

The value added in the agricultural sector, is forecast to grow moderately by 3.0 percent in 2005 compared to an estimated 1.8 percent experienced in 2004. The moderate growth is attributed to a slight increase in cattle marketed in 2005 compared to the decease in cattle marketed during 2004. Agricultural output is also expected to grow moderately due to sustained harvest of crop and cereal production as a result of the expected good rains and normal weather conditions in 2005. There are also diversification efforts, which could contribute positively to this sector such as an increase in the number of pigs marketed (an activity, which started in 2003), as well as in the grape, date, and ostrich markets. The strong Namibia Dollar could however, affect such efforts negatively in this sector.

The fishing sector growth is projected to remain sluggish at 0.3 percent in 2005 from a negative position of 9.6 percent in 2004. The sluggish growth is attributed in part due to a strong Namibia Dollar. The decline in international fish market prices[45] and rising fuel prices are also expected to impact adversely on the fishing sector during 2005[46].

The manufacturing sector is forecast to recover during 2005 at 5.1 percent after recording a low growth of 2.4 percent in 2004. The recovery is supported by an improved fish processing activity, due to the expected improved oceanic conditions as well as other manufacturing activities, such as the refining and

[44] Current ongoing construction activities includes Pocket Beaches Site 2, Elizabeth Bay (both are Namdeb projects), Katutura Soccer Stadium, Swakopmund nt, Maerua Mall extension, etc.

[45] The fish prices from the European market has so far shown decreases of over 40 percent in 2004 and expectations are that this trend is likely to continue, as there is increased development in aquaculture output production internationally of which its fish products are priced less than maritime fish products.

[46] Despite the sluggishness in the growth of the fishing sector, Total Allowable Catch (TAC) for hake has been set to 195000mt for the 2004/2005 fishing season, which is an increase of 15000mt compared to the last season. The quota for horse mackerel, pilchard, crab and rock lobster for 2005 has not been decided yet. (Source: Ministry of Fisheries and Marine Resources).

smelting of copper and zinc. The increased textile production as well as the cutting and polishing of gemstones, will further support the recovery of this sector in 2005. Other activities such as the meat processing and beverages industries are also projected to improve slightly during 2005[47].

Table 5.1 Selected Sectoral Growth Patterns (percentages)

	2003 Actual	2004 Estimates	2005 Forecast
Agriculture	2.8	1.8	3.0
Fishing	3.8	-9.6	0.3
Mining	-4.6	32.3	2.4
Manufacturing	5.3	2.4	5.1
Construction	46.4	4.0	5.7
Hotels and Restaurants	4.9	3.1	4.3
Government Services	2.3	1.5	2.0
All Other Serivices	4.2	3.0	3.7
Real GDP	**3.7**	**4.4**	**3.8**

With the on-going Government spending on infrastructural development such as the construction of roads, the state house and the northern railway extension, as well as private sector related works[48], the growth of the construction industry is expected to be sustained at 5.7 percent for 2005. The low interest rate which is currently prevailing, may also support a sustaining positive growth for the construction industry.

The tourism industry, as proxied by the hotels and the restaurant sector, is expected to grow moderately at 4.3 percent in 2005, due to the global economic recovery, compared with an estimated growth rate of about 3.1 percent in 2004. This growth rate could, however, be negatively affected by the strong Namibia Dollar, especially if it continues to remain strong against the Euro and the US Dollar.

The growth of value added in the transport and communications sector is forecast to remain above 7 percent in 2005, similar to the position in 2004. This sustained growth is due to the impressive growth recorded by the post and telecommunications sub-sector, which is mainly due to the expansion of the cell phone and Internet communication. Other sub- sectors such as postal services, rail, port, and aviation are also expected to perform moderately during 2005.

The electricity and water sector is projected to grow by 8.2 percent during 2005, compared with 9.2 percent in 2004. The positive, but lower growth pattern is mainly due to the demand by projects from textile and the mining operations.

Other sectors such as the real estate and business services are expected to grow at a moderate rate of approximately 3 percent during 2005. The moderate growth is forecast as a result of satisfactory increases in the output of the real estate and retail sectors as well as of the financial services sectors. This is due to low interest rates and a low inflation rate. The Government sector is also expected to grow moderately at 2.0 percent during 2005.

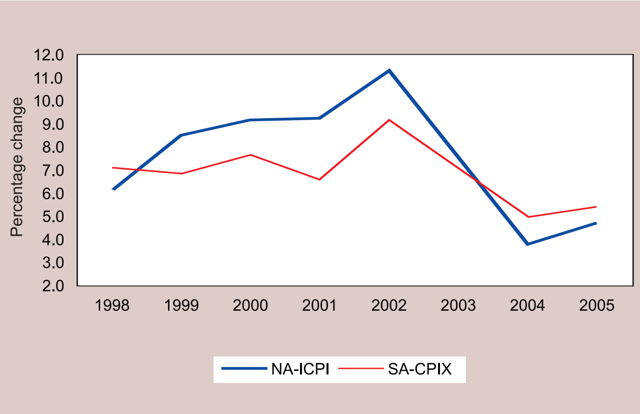
5.2 PRICE DEVELOPMENTS

The annual inflation rate for 2005 is forecast at 4.7 percent which is higher than the 3.9 percent recorded in 2004. The expected increase can be attributed to possible moderate increases in categories such as food, transport and communications as a result of the sustained high level of oil prices, as well as a possible increase in meat and fish prices in 2005.

47 The improvement in meat processing output growth depends on how domestic prices on meat will behave for 2005 but available statistics show that international prices on meat has been on an upward trend since July 2004 and this would entail domestic prices on meat to rise in line as well which could lead to increase in cattle marketed and increased meat processing. As for the beverages industries, its growth depends on the Namibian exports to Angola which has of late been affected by the implementation of stringent customs duties in Angola and the fact that the bilateral agreement on trade is not as yet effected between the two countries.

48 The growth to be sustained on the back of new and old projects such as Pocket Beaches Site 2, Elizabeth Bay (both are Namdeb projects), Katutura Soccer Stadium, Swakopmund Waterfront, Maerua Mall extension, etc.

Chart 5.1 Inflation



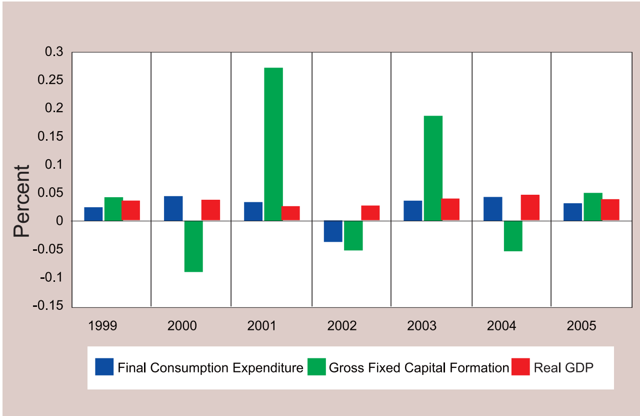
Source: CBS, estimates 2004 forecast 2005 by BoN and SARB, respectively

According to the South African Reserve Bank, a similar pattern is expected for the South African CPIX. The average annual inflation rate for 2004 was 4.3 percent, which is within the target range of between 3 and 6 percent. It is expected to remain within that target range during 2005.

5.3 Investment And Consumption

In real terms, the final consumption expenditure is expected to stabilize at 3.0 percent during 2005, after recording an estimated growth of 4.2 percent in 2004 (Chart 5.2). This sustained, but lower real growth, would be mainly due to a moderate increase in the private consumption expenditure, as consumers continue taking advantage of the lower interest and inflation rates environment by taking up additional debt for the purchase of items such as new motor vehicles and property [49].

Chart 5.2 Domestic Demand



Real investment growth rate is projected to be 4.9 percent from a -5.3 percent in 2004. This growth pattern is reflective of the historical cyclical pattern as observed in Chart 5.2. The positive growth in 2005 is due to continued investment in private sector residential buildings and structures as well as Government projects.

5.4 External Sector

Real exports are projected to grow at a slower rate of about 1.8 percent during 2005, down from a growth rate of 9.3 percent in 2004. The lower growth rate in 2005 will be due to a slower projected increase in diamond production. As a percentage of GDP, exports are projected to remain at 43.2 percent during 2005, similar to the level in 2004.

49 Bank of Namibia, "Quarterly Bulletin", March, June, September 2004, pp. 14-15.

Real imports are projected to increase by 2.3 percent during 2005 from 0.8 percent in 2004. The positive growth is largely due to a continuing improvement in domestic demand but could be slightly compromised by a relatively rising inflation. As a percentage of GDP, nominal imports are projected to increase to about 46.9 percent during 2005, from 45.2 percent in 2004.

Table 5.2 Key Macro-economic Indicators (Percentage)

Macro-economic indicators	2003 Actual	2004 Estimate	2005 Forecast
Nominal GDP (N$ millions)	32 309	35 026	38 029
% Change Total Real Consumption	3.5	4.2	3.0
% Change Total Real Investment	18.6	-5.3	4.9
Exports of goods and services	12 715	15 059	16 428
% Nominal Growth	-13.3	18.4	9.1
% GDP	39.4	43.2	43.7
Import of goods and service	15 088	15 841	17 847
Nominal Growth (%)	-4.6	5.0	12.7
% GDP	46.7	45.2	46.9
Trade balance	-2 373	-782	-1 419
% GDP	-7.3	-2.2	-3.7
Current account balance	3 033	2 776	2 294
% GDP	9.4	7.9	6.0
CPI (%)	7.3	3.9	4.7

Source: CBS (2003) and BoN (2004-2005)

As a result of these developments, the Namibian trade deficit is forecast to increase to –3.7 percent of the GDP during 2005 from –2.2 percent of the GDP in 2004 (Table 5.2). The current account surplus as a percentage of the GDP, is set to fall to 6.0 percent during 2005, as a result of the expected reduction of SACU receipts from 7.9 percent in 2004.

5.5 CONCLUSIONS

The economy is projected to grow by about 3.8 percent in 2005 based on a continuing growth in the mining sector, as a result of the increase in the production of both diamond and other mining activities. The sustained moderate growth in the manufacturing, construction, electricity and water sectors, are also contributing factors.

There are, however, downside risks to the growth which has been forecast. These include the following: the projected global economic recovery could be affected by other factors such as an increase in oil prices, which would have implications for the projected growth and inflation of Namibia. An appreciation of the local currency against the major currencies like the US Dollar and the Euro could have negative effects on export market of Namibia and this could spill over onto production and employment losses.

PART B

BANKING SUPERVISION

CHAPTER 6. REPORT ON BANKING SUPERVISION

During the year under review, the Bank of Namibia (the Bank), through its Banking Supervision Department, has undertaken a number of regulatory and supervisory activities, which were aimed at strengthening the stability and soundness of the banking industry. This effort was made to ensure that the banking institutions operating in the Namibian banking system complied with the best international banking standards, in particular with the 25 core principles for effective banking supervision, and were in accordance with the provisions of the Banking Institutions Act of 1998, and the Bank of Namibia Act of 1997.

A number of amendments to determinations became effective on 1 January 2004.The implementation of the amended determinations and the revised statutory returns during the year greatly enhanced the effectiveness of the banking supervisory process. The amended determinations brought improvements to the regulatory framework, e.g. the better classification and provisioning method for loans; increased capital requirements (strengthening capital position); better methods for the measuring and monitoring of liquidity. The revised statutory returns have, although in certain areas banks are still experiencing problems in generating the information due to system difficulties, notably improved the quality of financial and other information required from banking institutions.

The supervisory activities carried out during the year, were in the form of the normal on-site examinations and off-site surveillance of banking institutions. Through the examinations, the Bank was able to establish that, the banking institutions maintained adequate internal control systems, complied with prudential standards and adhered to internal policies and procedures. On the other hand, the Bank has made an on-going analysis of the statutory returns, monitoring the financial soundness of individual banking institutions and therefore the stability of the industry as whole. The analysis performed on the financial data for the period ended 31 December 2004 revealed a healthy and sound banking sector.

6.1 INDUSTRY AND REGULATORY DEVELOPMENTS

A number of enquiries were made in regard to the licensing requirements of banks during 2004. None of these have however, translated into actual applications for a banking licenses during the year thus leaving the number of authorized banking institutions in Namibia unchanged at four (4). On the other hand, the number of bank branches (including agencies and mobile units) shrunk to a total of 131 from 136 reported the previous year. the decline can be attributed to the closure of agencies by Bank Windhoek (Aroab), First National Bank (former SWABOU Bank agency in Ondangwa) and Standard Bank (Baines Shopping Centre), respectively. Bank Windhoek's (Eenhana and Noordoewer) agencies were upgraded to branch status while still reflected as agencies (double counted).

In September 2003 Nedbank South Africa Limited acquired the respective shareholding of the foreign shareholders, BNP Paribas (47.31 percent) and DEG-Deutsche Investitions und Entwicklungsgesellschaft mbH (5.39 percent), in the holding company, namely NEDNAMIBIA HOLDINGS LIMITED (previously SND Investment Holding Limited) Nedbank South Africa Ltd became the sole shareholder of the holding company and a 100 percent shareholder of Commercial Bank of Namibia Limited. This shareholding structure is expected to change with the envisaged empowerment announced by the Group.

As a result of these developments, the Commercial Bank of Namibia Limited changed its name to Nedbank Namibia Ltd in October 2004. The need to change the name of the then Commercial Bank of Namibia Limited to Nedbank Namibia Limited was necessitated by changes in the shareholding structure of the former company and also by the need to align the local banking institution with the group corporate identity.

6.2 ON-SITE EXAMINATION ACTIVITIES

During the year under review, the Bank Examination Division carried out a number of full scope examinations which provide supervisory assurance of the financial conditions and soundness of the institutions examined. These examinations are designed to ensure that those who provide banking services do so prudently, bearing in mind their responsibility towards depositors and investors.

The examinations, carried out in collaboration with off-site surveillance operations, focused mainly on the appraisal and verification of capital, asset quality, management, earnings and liquidity, as well as compliance with statutory requirements.

During the examinations, attention was focused on the assessment of the overall banking risks to ensure prudent and sound banking practices, the evaluation of the adequacy of policies and procedures of banking institutions and the level of compliance therewith and the evaluation of the adequacy of banking institutions' management information systems for the purposes of facilitating effective risk management.

The results of the examinations have confirmed that the performance of the institutions examined during the year under review was generally satisfactory.

During the year under review, no incidents of illegal banking business in the form of pyramid schemes or otherwise were reported or discovered, which is an indication of the positive public response to the awareness campaigns previously conducted by the Bank regarding the illegality of such schemes.

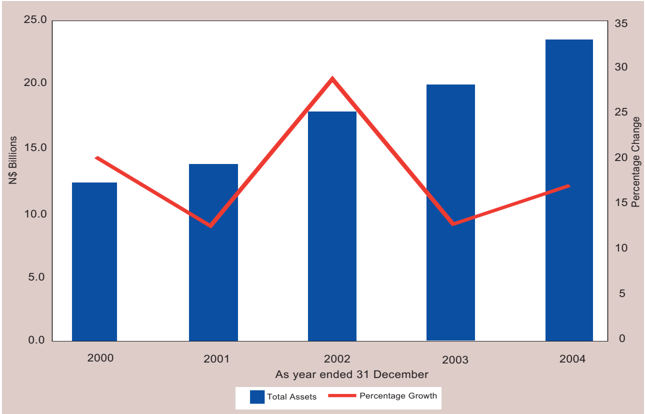
6.3 PERFORMANCE OF THE BANKING SECTOR

6.3.1 Balance Sheet Assets

The Namibian banking sector experienced a 16.9 percent growth in total assets to N$23.4 billion at the end of 2004 compared with a 12.6 percent recorded during the previous year. Net loans and advances contributed 85.5 percent while the trading and investment portfolio and other assets contributed 12.9 per cent and 2.3 per cent respectively, to the growth in assets.

Over the past five years, the highest growth was reported in the year 2002 at 28.6 percent due to the merger between former CSIB and the Swabou Building Society (to form Swabou Bank) which took effect in that year. Chart 6.1 depicts the upward trend and the growth rates in total assets over the five year period.

Chart 6.1 Total Assets' Growth



The composition of total assets has not changed materially from previous year except in cash and balances with the BoN which increased its share from 3.2 percent to 4.6 percent. This could be explained by the fact that with the introduction of the revised returns, banking institutions are now required to report balances with banks (interbank placements) which had previously been reported as part of loans and advances under cash and balances category of assets. Net loans and advances, although continuing to constitute the largest share, experienced a reduction of its percentage share from 81.7 percent to 80.2 percent of the total assets. Trading and investments portfolio as a component of the total assets increased its share from 8.7 percent to 9.3 percent mainly reflected in treasury bills which increased its share from 61.5 percent to 68.6 percent.

Chart 6.2 The Composition of Total Assets

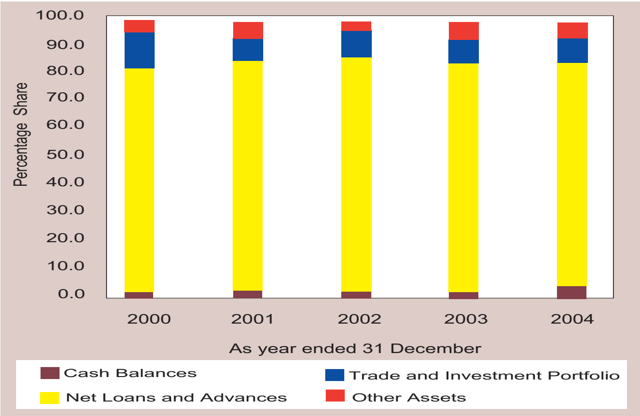
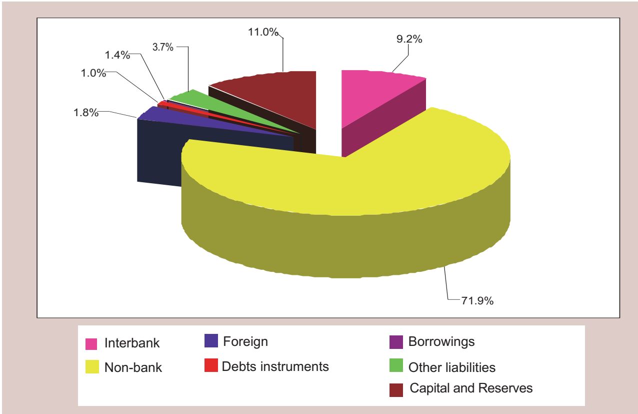


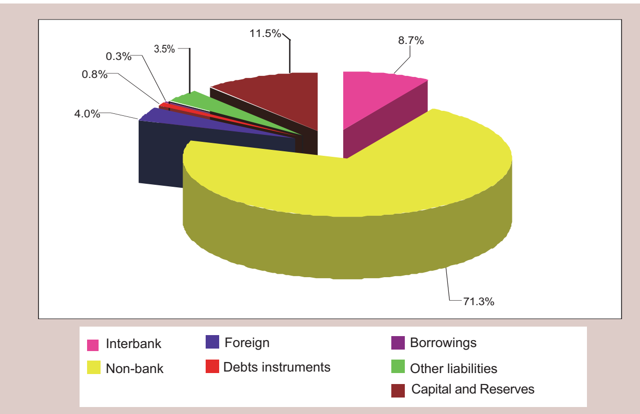
Chart 6.3 (b) The Composition of Liabilities and Capital as at 31 December 2004



6.3.2 Funding Structure

Total funding[50] grew by 16.9 percent to N$23.4 billion during the year under review. Although increases occurred in all total funding components, the components which contributed significantly to the growth in total funding were the inter-bank deposits, borrowings and non-bank deposits. The increase in capital and reserves and debt instruments was expected as some banking institution needed to increase their qualifying capital to meet the increased capital requirements. The composition of total funding of the banking sector remained fairly unchanged when compared with that of the year 2003 as evidenced in the Charts below.

Chart 6.3 (a) The Composition of Liabilities and Capital as at 31 December 2003

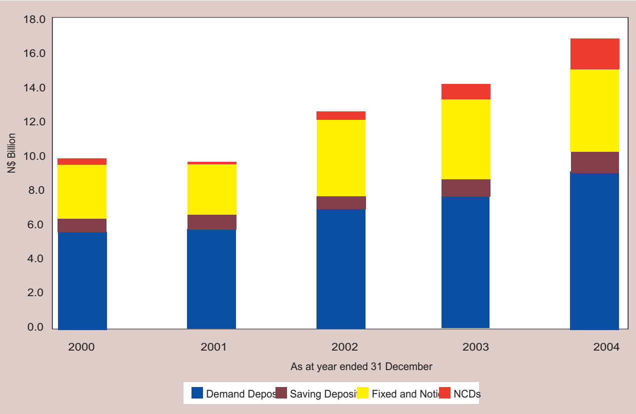


Non-bank funding (core deposits) increased by 17.9 percent to N$16.8 billion during the year under review. The increase was induced by more demand deposits mobilized by the banking institutions in order to fund their loan operations inexpensively. Although other categories of core deposits increased, of significance was the 76.3 per cent growth in negotiable certificates of deposit (NCDs) to N$ 1.7 billion at 31 December 2004.

Chart 6.4 indicates that banking institutions mobilized more demand deposits and NCDs in terms of their share in total core deposits. During the year under review, demand deposits increased its share slightly from 53.4 percent to 55.1 percent while NCDs' share increased from 6.6 per cent to 9.9 per cent. Savings deposits, though increased in absolute amounts, did not change its percentage share over the past five years. Fixed and notice deposits's share declined from 33.5 percent to 31.6 percent as there are no incentives for depositors to keep their money in the banks for longer period when interest rates in the market are low as discussed elsewhere in this report.

50 Total funding comprises of all liabilities to the public and capital and reserves.

Chart 6.4 The Composition of Non-bank Deposits



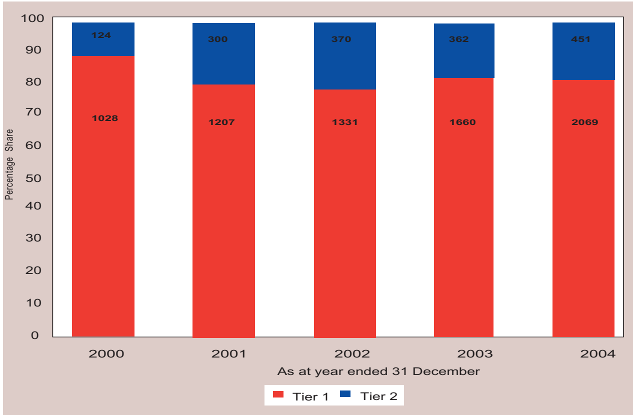
6.3.3 Capital Adequacy

In terms of the revised Determination on Capital Adequacy which came into effect on 1 January 2004, all banking institutions are compelled to keep a ratio of qualifying capital to risk-weighted assets of at least 10.0 percent instead of the 8 percent required from 1998. The revised Determination further requires banking institutions to hold a minimum tier 1 risk-based capital of 7.0 percent compared with the previous 4 percent and a tier 1 leverage ratio of 6.0 percent which is a completely new requirement. During the year under review, all banking institutions, individually, complied with the above minimum requirements.

The total risk-weighted capital ratio (RWCR) for the banking sector increased by 0.7 percentage-points to 15.5 percent by 31 December 2004 which was in excess of the prescribed minimum of 10.0 percent. The improvement in the ratio came as a result of the increase in the total qualifying capital by 24.6 percent which outpaced the 19.5 percent increase in risk-weighted assets. Some banking institutions needed to increase their capital level in order to comply with the new (increased) requirements. The RWCR of 15.5 percent was the highest figure recorded in the past five years.

The composition of total qualifying capital in terms of primary or tier 1 capital and secondary or tier 2 capital is illustrated in Chart 6.5. The industry's tier 1 capital of the banking industry continued to constitute the major portion of the total capital, though its percentage share remained flat at 82.1 percent.

Chart 6.5 Qualifying Capital (N$ Millions)



6.3.4 Credit Risk

6.3.4.1 Loans and advances

Chart 6.6 (a) The Composition of Loans and Advances – 31 December 2003

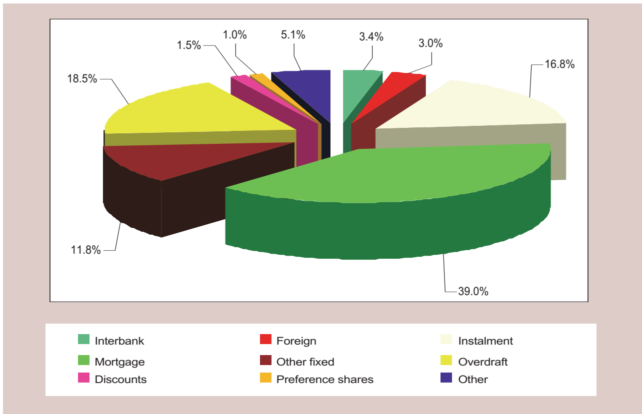


Chart 6.6 (b) The Composition of Loans and Advances – 31 December 2004

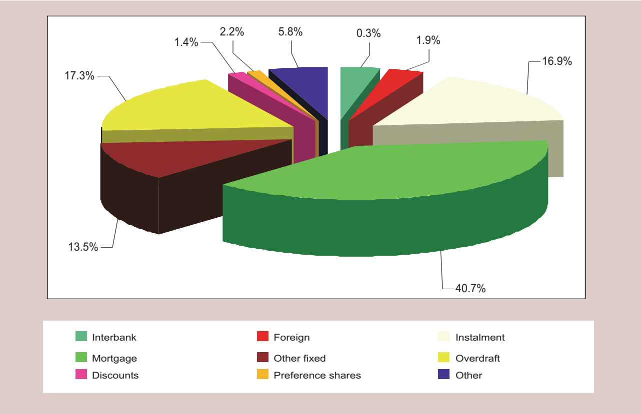
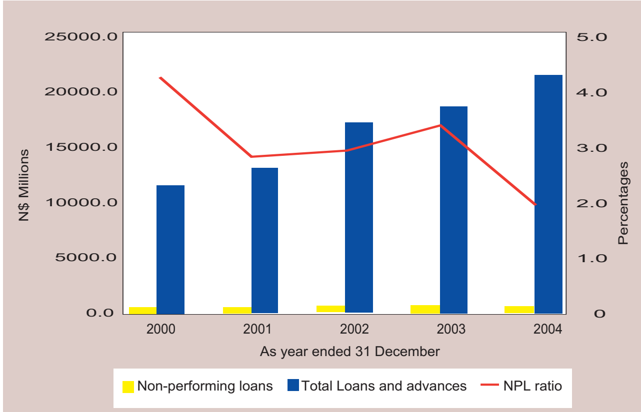


Chart 6.7 Non-performing Loans relative to Total Loans



As reflected in the Charts above, the composition of Loans and Advances changed slightly but still remained dominated by mortgages at 40.7 percent (39 percent - December 2003) followed by overdrafts at 17.3 percent (18.5 percent - December 2003), installment sales at 16.9 percent (16.8 percent - December 2003), and other fixed term loans (including personal loans) at 13.5 percent (11.8 percent - December 2003).

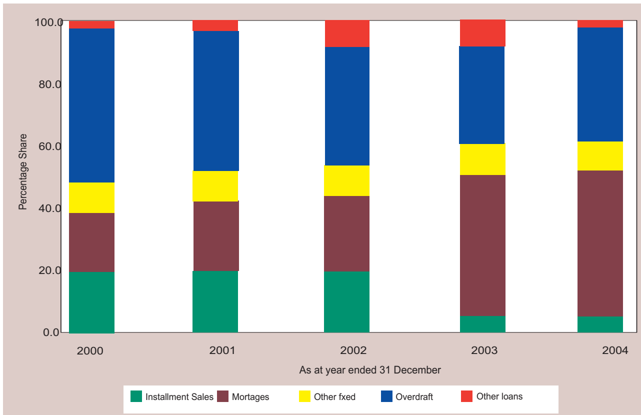
6.3.4.2 Non-performing loans

The year 2004 saw the implementation of the revised Determination on Asset Classification, Suspension of Interest and Provisioning which took effect on 1 January 2004. The Determination had the implication, among other requirements, of shortening the period over which a loan account could be classified as non-performing if in arrears from 6 months to 3 months.

As of 31 December 2004, loans classified as non-performing loans amounted to N$495.9 million a decline of 25.5 percent from the previous year. Non-performing loans to total loans (NPL ratio) declined to 2.6 percent from 3.9 percent the previous year and 4.7 percent in 2000, which represented an improvement in loan quality. This improvement can be attributed to lower interest rates, which prevailed during the year under review. The comparison of non-performing loans to total loans and advances is reflected in Chart 6.7 which follows:

There has been a shift in different categories of non-performing loans as depicted in Chart 6.8 below. In the year 2003 and 2004, the highest level of default by borrowers was experienced in mortgage loans while in the year 2000 to 2002, this record was observed in overdrafts. This shift was mainly caused by the stricter loan classification criteria applied by one of the banks to the mortgage loan book that was previously not subject to such criteria.

Chart 6.8 The Composition of Non-performing Loans in terms of Loan Categories



6.3.4.3 Adequacy of Provisions

The provisioning method changed during the year under review as banking institutions were now required to retain amounts equal to 1 percent and 2 percent of the loans classified as pass and special mention, respectively, as general provisions; and amounts equal to 10 percent, 50 percent and 100 percent of loans classified as substandard, doubtful and bad, respectively, as specific provisions.

The adequacy of provisions is measured by the ratios of specific provisions to non-performing loans and total provisions (specific plus general) to total loans. The ratio of specific provisions to non-performing loans improved from 44.2 percent during the previous year to 47.4 percent by 31 December 2004. The increase in this ratio is favorable as it indicates that more non-performing loans were covered by specific provisions and hence the risk of loss is reduced. Total provisions expressed as a percentage of total loans decreased slightly from 2.5 percent to 2.3 percent, due to the growth in the loan book.

6.3.4.4 Large Exposures

Large exposure refers to any exposure to a single person or group of related persons which, in aggregate, equals or exceeds 10 percent of a banking institution's capital funds. All large exposures are limited to 30 percent of the banking institution's capital funds unless these have been exempted in terms of the Determination on Limits on Exposures to Single Borrowers (BID 4).

During the year under review, the sector reported the value of large exposures to have increased by 20.7 percent to N$3.7 billion. The increase came as a result of some banking institutions growing their loan portfolios faster than the capital retained.

6.3.4.5 Interbank Exposures

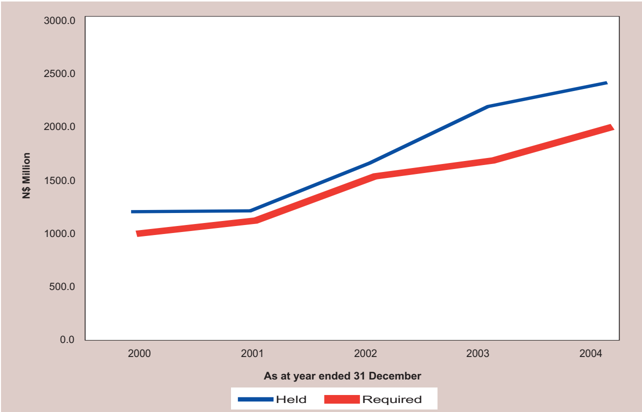
Among the new and revised determinations implemented at the beginning of the year 2004, was the Determination on Interbank Exposures (BID 15), a completely new regulation. The new determination on interbank placements is intended to limit the potential for contagion risk posed when a bank fails or is otherwise unable to repay its obligations to other banks in a timely manner. Interbank exposures not exceeding 7 calendar days are limited to 50 percent while those exceeding 7 calendar days are limited to 30 percent of the capital funds of the banks. All banking institutions complied with the above limits during the year under review.

The banking sector reported interbank exposures amounting to N$507.9 million at 31 December 2004. Of that amount, 46.8 percent constituted inter-bank exposures exceeding 7 calendar days. Compared with the preceding quarter, the interbank exposures had decreased by 45.6 percent.

6.3.5 Liquidity

Banking institutions are required to hold liquid assets of at least 10 percent of their average total liabilities to the public. During the year under review, all banking institutions complied comfortably with the minimum liquid assets requirement as can be evidenced in Chart 6.9.

Chart 6.9 Statutory Liquid Assets



The percentage share taken by treasury bills and Government securities increased from 61.5 percent and 14.1 percent to 68.6 percent and 15.2 percent, respectively, during the year under review. On the other hand, notes and coins reduced in terms of percentage share to total liquid assets to 12.1 percent (2003, 13.5 percent). A significant reduction was experienced in the sharing of clearing and call account balances from 8.5 percent to 1.4 percent during the year under review. These shifts were triggered by the fact that call account balances with the BoN no longer yielded interest and the banking institutions were left with no alternatives other than to shift their investments to other interest earning assets, resulting in shifts to treasury bills and inter-bank placements. Chart 6.10 illustrates the shifts in liquid assets.

Chart 6.10 Liquid assets composition

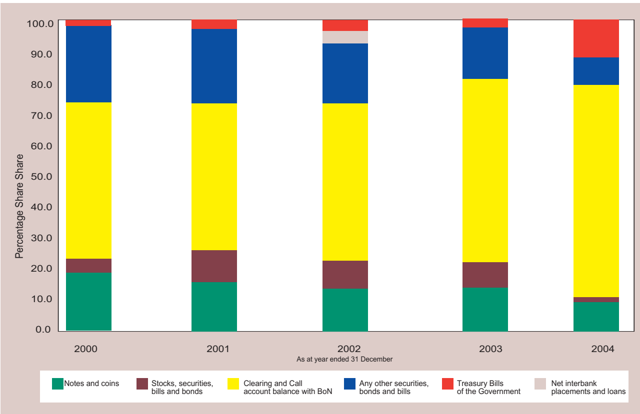


Table 6.1 Liquidity ratios

	2000	2001	2002	2003	2004
Liquid asset ratio[51]	9.7	8.8	9.4	11.0	10.4
Loans to deposit ratio	101.4	118.1	121.4	117.3	111.5

Liquid assets as a percentage of total assets declined during the year under review to 10.4 percent. Though the decline in the ratio was not favorable, the level was considered acceptable in comparison with previous years since 2000. Loans to deposits ratio measures the extent to which loans are funded by core deposits. The ratio however, declined during the year 2004, but still indicates that the banking sector continued to use funds other than core deposits (mobilized from the public) to finance its loan operations.

6.3.6 Profitability and Earnings

The year 2004 experienced numerous interest rate cuts which had a negative impact on the profitability and overall performance of the banking sector. Interest income generated from lending operations had declined significantly by 14.4 percent and was mainly reflected in income derived from installment sales, mortgages and overdrafts. Although interest expenses also fell by 19.8 percent, this could not bring any improvements to the margins and as a result the net interest income for the year declined by 5.9 percent to N$895.8 million. During the past year, the net interest margin decreased from 5.5 percent last year to 5.1 percent for the year 2004. During the year 2002, the net interest margin had been at its highest level of 6.7 percent as a result of the high interest rates prevailing in the market at the time.

Other operating income or non-interest income picked up strongly from N$822.1 million to N$861.9 million representing an increase of 4.8 percent. The growth in non-interest income was driven by the income generated through fees which had increased by 16.7 percent. Despite the above development, total income[52] for the year 2004 dropped by 0.9 percent compared to a growth of 9.8 percent and 27.2 percent for the years 2003 and 2002, respectively.

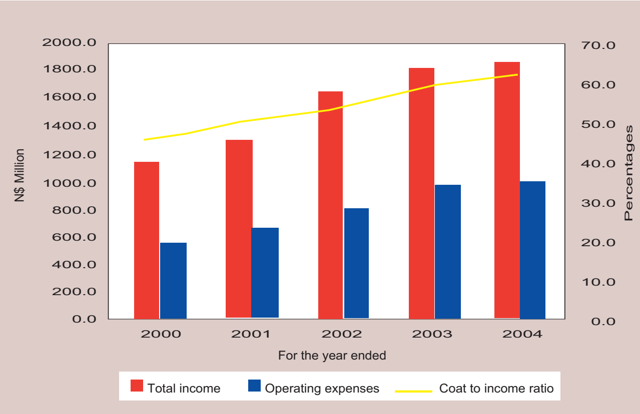
Operating costs have been trending upwards since the year 2000 and this figure rose by 13.8 percent during the year 2004. Higher costs are reflected mainly under staff costs, depreciation and amortization and administration and overheads which increased by 16.9 percent, 39.5 percent and 5.7 percent during the year under review. The staff costs increased in line with the addition of 41 members to the staff, bringing the

51 Liquid assets ratio represents liquid assets as a percentage of total assets
52 Total income refers to net interest income plus other operating income

number of employees in the banking sector to 3 656 during the year 2004.

In line with the low total income and the higher operating expenses, the cost-to-income ratio had increased by 8.0 percentage-points to 61.8 percent exceeding the international benchmark of 60 percent. Chart 6.9 depicts the efficiency of the banking sector as it was effectively measured by the cost-to-income ratio.

Chart 6.11 Efficiency

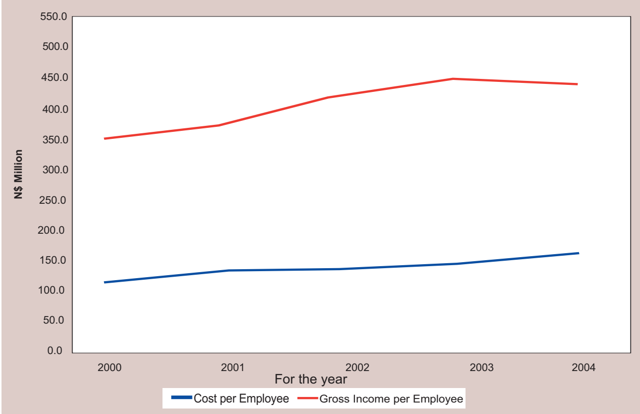


Despite adverse movements in the determinants of profitability during the year under review, the banking sector achieved profits before tax of N$599.7 million. This figure showed a reduction of 17.7 percent when compared to the previous year. Return on assets (ROA) and Return on equity (ROE) therefore declined from 2.7 percent and 24.6 percent to 1.9 percent and 16.6.percent, respectively.

Productivity is one of the measures for calculating efficiency in the banking sector and is effectively measured by comparing the cost per employee to the income generated by each employee.

As can be seen in Chart 6.12, productivity in the sector has improved over the years. For the year 2004, the total income per employee exceeded the cost per employee by N$338,000 compared with N$369,000 during the previous year.

Chart 6.12 Industry's Productivity



6.3.7 Suspension of Cheque Account Facilities

The credibility of the payment system is of paramount importance. In order to have a safe and sound payment system in Namibia, banking institutions are required to suspend any cheque account in respect of which five cheques are referred to drawer as a result of insufficient funds over a period of three months. This is done in accordance with the provisions of the Determinations on the Compulsory Suspension of Cheque Accounts (BID 12).

During the year under review, a number of cheque accounts were suspended with the value of cheques to the tune of N$20.7 million compared with N$14.2 million reported during the preceding year. The increase in the value of cheques raises a concern, as this may impact negatively on the credibility and efficiency of the payments system. This calls for a more vigorous awareness campaign to be undertaken by the banking institutions in order to educate their customers not only in regard to the consequences of the suspension of cheque accounts but also concerning the need to protect the credibility of the payment system.

6.3.8 Fraud

In terms of the Determinations on Fraud and other Economic Crime (BID 9), banks are required to report all fraudulent activities detected to the Bank of Namibia. The banking sector reported fraudulent activities involving an amount of N$20.2 million during the year 2004. This amount represents a drastic increase of 82.9 percent from the previous year's figures. Of the N$20.2 million, some N$13.1million was reported to be lost. During the past year, the banking sector has only reported losses of N$1.3 million. These figures can be explained by a recent report of a single fraudulent case involving N$7.9 million by one of the banking institutions. The growing incidences of fraud and other forms of financial and economic crime may cause losses to the affected banks and undermine public confidence in the banking system.

6.3.9 Money Laundering

In line with the Determinations on Money Laundering[53] and "Know Your Customer Policy" (BID 3) and as well as the subsequent Circular BIA 2/02 issued by BON, banking institutions are required to complete and submit a form for reporting suspicious activities / transactions (Form SATR) to the BON and the criminal prosecuting authority as soon as they become aware of suspicious activities or transactions which might indicate possible money laundering activities.

During the year 2004, the banking industry reported suspicious transactions involving N$11.1 million compared to a mere N$650 thousand reported in the year 2003. The dramatic increase came as a result of one single suspicious transaction reported by one banking institution involving N$8.4 million which was transferred from abroad.

The Financial Intelligence Bill which will enable Namibia to combat money laundering and the financing of terrorism activities effectively is due for discussion in Parliament before adoption. The enactment of the Bill will provide the Bank with the necessary powers to collect, assess and analyze financial intelligence data subsequent to which money launderers and other similar criminals will face prosecution.

53 Money Laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source.

PART C

OPERATIONS AND AFFAIRS OF THE BANK

Report submittted in terms of section 52 (1)(b) of the Bank of Namibia Act No.15 of 1997

CHAPTER 7. OPERATIONS AND AFFAIRS OF THE BANK

7.1 DEVELOPMENTS DURING THE YEAR

7.1.1 Impact of global, regional and domestic developments

The year under review was characterised by a favourable macro-economic environment. Economic growth performed impressively amidst a climate of low inflation and an improving balance of payments position. The economic upturn during the year was partially supported by interest rates, which remained at relatively low levels. The stable and further strengthening external value of the Namibia Dollar contributed to cheaper imports and, therefore to low inflation, but had adversely affected export earnings of certain industries. The monetary situation witnessed an unsettled trend with large swings in the money supply and in credit extended by the banking sector. Government's fiscal operations deteriorated during the year mainly on the grounds of poorer than expected revenue collections. The Government was, however, able to consolidate the situation by containing spending at acceptable levels.

The monetary policy stance of the Bank remained strongly focussed on maintaining the parity between the Namibia Dollar and the South African Rand. During the greater part of the year the Bank rate remained relatively stable at 7.75 percent, with a reduction of 25 basis points being made in August 2004.

As in 2003, low interest rates in global financial markets, combined with the further strengthening of the external value of the Namibian currency, had a negative effect on the interest earnings and hence on the Bank's financial position during 2004. This is clearly reflected from the financial statements of the Bank, as shown in Part D of this report. Lower investments, coupled with lower returns on these investments, have significantly reduced the operational income of the Bank in 2004 compared to 2003. However, part of the compensation payable by South Africa in recognition for declaring the Rand legal tender in Namibia is now paid to the Bank. This source of revenue has strengthened the financial position of the Bank.

7.1.2 Staffing position at the Bank

Staffing within the Bank stabilised over the past three years, due to deliberate efforts to a containment of staff numbers and the reduction of the number of managerial positions. Table 7.1 details the staff position of the Bank from 2002 to 2004. At the end of 2004 there were four managerial staff numbers fewer than at the end of 2003. Of these four positions, two were removed from the establishment, while the other two represented vacancies.

Table 7.1 Staff Numbers at Year-end

Staff category	2002	2003	2004
General staff	237	241	239
Managerial	27	30	26
Executive	3	3	3
Total	**267**	**274**	**268**

The staff turnover shows a marginal decrease from 7.4 percent in 2003 to 6 percent in 2004. These ratios are regarded as normal as they do not pose an undue operational risk to the Bank.

7.1.3 Currency and banking activities

The Clearing House operated by the Bank of Namibia processed a total of 800 002 cheques (794 682 in 2003) valued at N$11.3 billion (N$12.4 billion in 2003) during 2004. In terms of volumes, this represents a mild increase of less than one percent, while the value of cheques cleared fell by 8.6 per cent. The decrease in the value of cheques cleared is explained by the introduction of the electronic fund transfer (EFT) system in Namibia in June 2004, which enabled bank clients to make electronic payments much faster than the time taken to clear cheques. As mentioned elsewhere in this Report, cheque clearing is due to be changed in June 2005 from a manual to an electronic process. The implementation of the new clearing system will make the previous clearing house operations of the Bank redundant.

Table 7.2 indicates the composition of national currency in circulation during the past two years. Although the growth in month-to-month currency in circulation accelerated strongly since the first half of 2003, the trend has slowed down during the second half of the year. This trend is ascribed to the lower rate of inflation and the large volumes of South African currency in circulation in Namibia. Currency in circulation outside the Central Bank at the end of 2004 was 2.9 percent above the level of 2003. In 2003 the rise in currency in circulation was 12.2 percent. Analysing the coins and notes in circulation, it is evident that all coins and the N$100 note increased their circulation, while a decrease was recorded in all other denominations.

locations such as Oranjemund, Ondangwa, Rundu and Oshakati. The origin of Rand currency in the northern branches is traced back to proliferating cash trade with Angolan traders. The value of Rand currency repatriated and the value of Namibia Dollar issued are reflected in Table 7.3.

Table 7.3 Rand repatriation and N$ in circulation

Calendar year	Value of Rand Repatriated		Increase in N$ in circulation	
	R'm	Annual % change	N$'m	Annual change in stock
2000	220.1	---	35.7	---
2001	259.9	18.1%	126.8	19.2%
2002	220.0	-15.4%	32.0	4.1%
2003	338.1	53.7%	99.7	12.2%
2004	396.7	17.3%	26.9	2.9%

The value of Rand currency repatriated in 2004 was about R397 million, compared to a value of about R338 million in 2003 – an increase of 17.3 percent in 2004 compared with 2003. The Namibian currency

Table 7.2 Composition of currency in circulation

Denomination	2003 Value (N$'m)	Volume (N$'m)	2004 Value (N$'m)	Volume (million)	% Change
5 cent coin	2.56	51.13	2.82	56.32	10.2
10 cent coin	5.45	54.54	5.93	59.29	8.7
50 cent coin	5.27	10.55	5.69	11.38	7.9
N$1 coin	27.81	27.81	32.23	32.23	15.9
N$5 coin	18.24	3.65	19.57	3.91	7.3
N$10 note	46.87	4.69	45.85	4.59	-2.2
N$20 note	79.88	3.99	77.87	3.89	-2.5
N$50 note	148.32	2.97	137.25	2.75	-7.5
N$100 note	466.05	4.66	506.51	5.07	8.7
N$200 note	118.44	0.59	112.04	0.56	-5.4
Total	**918.90**	**164.57**	**945.76**	**179.98**	**2.9**

Over the past three to four years, there has been a significant increase in the repatriation of South African Rand to the South African Reserve Bank. Further investigation showed that this increase in mainly due to the continuing strong influx of Rand currency at

stock in circulation rose by only N$26.9 million or 2.9 percent between December 2003 and December 2004. This clearly demonstrates the negative impact, which the increase in Rand repatriation to South Africa has had on the growth of Namibia Dollar in circulation.

7.1.4 Changes in the legal framework

Two Acts of Parliament, which were passed and promulgated in 2003, were made effective by the Minister of Finance on 15 May 2004. These are the Payment System Management Act, 2003 (Act 18 of 2003) and the Bills of Exchange Act, 2003 (Act 22 of 2003). The Bank of Namibia Amendment Act, 2004 (Act 11 of 2004) was promulgated in September 2004. The Payment System Management Act provides the Bank with necessary powers to oversee and regulate payment and clearing arrangements and to ensure irrevocable and final settlement of interbank payment obligations. The Bills of Exchange Act presents Namibia with a new and consolidated statute to govern the use of bills of exchange and cheques. Some new features of the Act include the presentment of cheques without the physical handing over of the cheques and provisions aimed at reducing cheque fraud and signature forgeries. The Bank of Namibia Amendment Act, amongst others, enhances the operational independence of the central bank. It further extends the duties of the Board to institute internal controls and manage risks in the Bank and it prohibits the Bank from guaranteeing debt of third parties, including the Government.

During the year, the Bank has contributed towards the finalisation of the Financial Intelligence Bill, which is still considered by the Cabinet Committee on Legislation before it is tabled before Parliament for adoption. The Bill intends to combat money laundering and financing of terrorism activities, to establish a money laundering advisory council and a financial intelligence unit that will assess and analyse financial intelligence information and data. The Bill complements the Prevention of Organized Crime Bill and the Combating of Terrorist Activities Bill that were already tabled before Parliament.

The Bank has entered into two Memoranda of Understanding: one with the Namibia Financial Institutions Supervisory Authority (NAMFISA) and the other with the South African Reserve Bank (SARB). The former memorandum provides a forum for the two supervisory authorities to exchange information about the condition of the respective industries, with the purpose of overseeing the increasing conglomeration of banking and non-bank financial institutions into larger services groups. The memorandum with SARB intends to co-ordinate supervisory functions between the two Central Banks.

7.2 STRATEGIC FOCUS OF THE BANK

The Bank remains strongly focused on achieving its vision and its mission and living up to its corporate values. In order to achieve this, the Bank must manage its business and conduct its monetary policy strategically and be focused in the long-term. This focus is generated by the annual strategic reviews of the performance of the Bank, the external environment and the challenges that lie ahead. The strategic plan of the Bank, which covers the period 2000 to 2004 has just ended and a new plan has been formulated to guide the activities and projects up to 2008. In the sub-sections which follow, some of the key achievements in meeting the strategic objectives that guide the policies and operations of the Bank are outlined.

7.2.1 Meeting the challenges of globalisation and regionalisation

(a) Participation in the Common Monetary Area (CMA)

Given the extreme openness of Namibia's trade and financial system, the Bank has to take full cognisance of the external environment and the influence which it has on the Bank's operations and policies. In this regard, Namibia's membership in the Common Monetary Area (CMA) strongly influences domestic monetary, financial and foreign exchange policies. The Bank participates actively in the forums under the auspices of the CMA. These include regular meetings of CMA Governors, Heads of Research, Heads of Exchange Control Departments and the CMA Commission.

Good progress was made during the year to advance the notion of using the CMA as a springboard for faster monetary integration within the SADC area. The Bank is convinced that a CMA-wide monetary union will facilitate and speed up the creation of a monetary union within SADC and eventually on the African continent.

(b) Exchange Control

Having thoroughly assessed the trends in foreign exchange transactions and the position of international reserves, the Bank decided to introduce a few changes in the exchange control regulations. Firstly, the Bank considered the desirability of granting exchange control amnesty to potential violators, but decided against it. Secondly, the foreign investment exposure of institutional investors was raised to 15 percent for long-term insurers, pension funds and unit trust management companies. Thirdly, the ability of non-residents to access local credit to finance foreign direct investments in Namibia was raised from 100 per cent to 200 percent of their total shareholders' investment. Finally, the Bank has applied stricter rules to exporters by reducing the allowable period between shipment of export commodities and the repatriation of the export proceeds to Namibia. The period during which exporters may keep such foreign currency invested in a Customer Foreign Currency (CFC) account with a Namibian authorised dealer. Both periods were reduced from 6 months to 3 months each.

(c) Committee of Central Bank Governors in SADC

The Bank continues to participate actively in various initiatives and projects under the auspices of the Committee of Central Bank Governors in SADC (CCBG). Since its establishment in 1995, the Committee has emerged over the years as a catalyst in promoting close co-operation among central banks and financial institutions in the SADC region.

During the past year, the efforts of the CCBG were underpinned by the drive towards standardising and integrating the region's financial systems. In this regard, various co-operative projects aimed at fostering a collective approach to the region's financial systems were undertaken. These projects included the development of various Memoranda of Understanding in the area of Information Technology; Exchange Control; Payment, Clearing and Settlement Systems; and Legal and Operational Framework of Central Banks. Once approved by the SADC Ministers of Finance, the Memoranda will be incorporated in the SADC Protocol on Finance and Investment. Other ongoing projects related to capacity building and to co-operation in the field of statistical data and protection services.

An important development during the year under review, which impacted significantly on the work of the CCBG, was the approval by SADC Summit of the Regional Indicative Strategic Development Plan (RISDP). This Plan provides strategic direction to SADC programmes and activities and consists of comprehensive long-term socio-economic programmes and policies. In the area of economics and finance, the Plan envisages the completion of a free trade area by 2008, the establishment of a customs union by 2010, and subsequently a common market by 2016 as well as a common monetary union by 2018. As the CCBG plays a key role in the monetary integration process, it is expected to spearhead the implementation of the programmes related to the formation of a monetary union in the SADC region.

During the period under review, the CCBG made significant progress in harmonising the national payments systems. These efforts resulted in various SADC central banks implementing the Real Time Gross Settlement (RTGS) systems in their respective national payment systems. Similarly, the Bank Supervision Application (BSA) solution was successfully developed to support harmonised bank supervision processes in SADC central banks. The system is already being implemented at different central banks and it is expected that the processes will be completed by the end of 2005.

Another noteworthy development was the CCBG decision to establish its own subcommittee that will deal with the bank supervision process. Previously, this function was carried out by the East and Southern Africa Banking Supervisors Group.

(d) South African Customs Union (SACU) Agreement

The implementation of the new Southern African Customs Union (SACU) Agreement of 2002 was delayed due to the long time member states took to ratify the agreement, as well as the resolution of certain technical issues. Throughout the year, the Bank has proactively assisted the Ministry of Finance to meet its obligations under the agreement. This included participating in seminars on the implementation of the new SACU Agreement, advising Government on the consequences of the new SACU dispensation and assisting the Ministry of Finance with revenue calculations, using both the old and the new revenue sharing formulae. The new SACU revenue sharing formula is expected to come into effect in April 2005.

7.2.2 International Reserves

(a) Reserves Management

For the past two years, global financial markets have not been in favour with the desire of the Bank to enhance returns from the investment of foreign exchange reserves. In view of this situation, the Bank considered various measures to build up adequate reserves to meet the foreign exchange needs of the country.

To align the foreign exchange reserves management and investment activities to international best practices, the year 2004 saw further improvements to the Foreign Exchange Reserves Management and Investment Policy. These changes were necessitated by the need to outline and draw a clear distinction between the broad principles and policy issues and broad governance and institutional issues in reserves management and investment, on the one hand, and the specific investment mandates and operational constraints of reserve management, on the other.

Through these policy changes, the Board is now able to articulate its position on its strategic risk preference through a benchmark portfolio, which constitutes an investment mandate to portfolio managers. The portfolio mandate is based on the Board's preference on the investment time horizon, minimum expected losses on investments, maximum portfolio duration, and portfolio instrument universe.

A downward trend in foreign exchange reserves and increased market volatility seen in 2004 also necessitated a change in the investment policy and external fund management mandate. In response to the declining level of reserves, the Board increased the focus of reserves management to safety and liquidity thereby reducing some emphasis on returns. This called for investment in relatively less volatile asset classes for which there is sufficient internal capacity. For this reason, external asset managers were relieved of their investment mandate in May 2004 resulting in all foreign exchange reserves being managed in-house by the Financial Markets Department, within the mandate given by the Board.

Despite these policy initiatives, the core principles remained intact and the Bank of Namibia has continued to invest its foreign exchange reserves in safe and liquid financial instruments, primarily in securities issued by the Governments of the USA and the UK, as well as in supra-nationals with a higher credit quality within the limits as stipulated by the Investment Policy and Guidelines.

The development in reserves has moreover, necessitated a change to the currency mix, which strictly focuses on liabilities rather than on a balance between liabilities and return. While the currency composition[54] of reserves remained the same, the currency mix was altered, and a much larger weight was given to the South African Rand to reflect its status as the main source of Namibia's foreign liabilities.

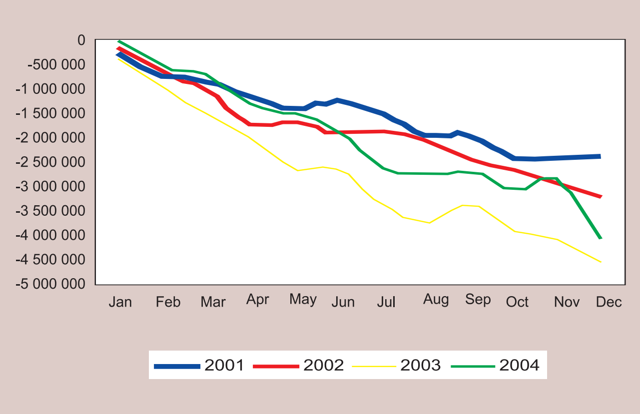
(b) Foreign Exchange Reserves Level

The average foreign exchange reserves stood at N$1 901 million at the end of 2004 representing a marginal decline of N$189 million from N$2 091 million at the end of 2003. This decline was attributed to the demand for foreign exchange reserves by the Government and private sector, the depreciation of the United States Dollar and the consequent appreciation of the Namibia Dollar, following the appreciation of the South African Rand from R6.70 to R5.66, and the relatively low foreign exchange earnings by the private sector resulting from the appreciation of the Namibia Dollar. The decline in foreign exchange reserves however,

54 i.e. USA, Euro and Rand

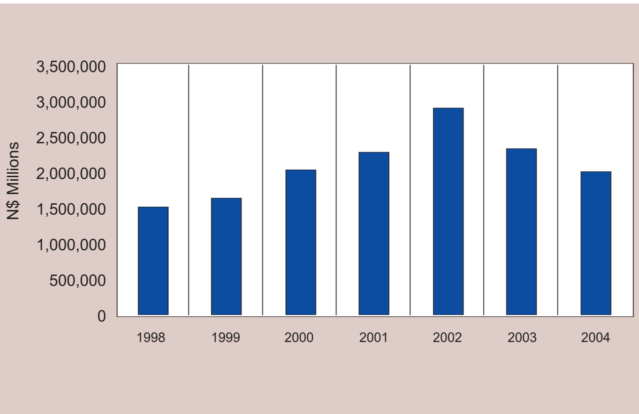
was partially alleviated by relatively limited outflows in 2004 compared to those in 2003 (Chart 7.1).

Chart 7.1 Cumulative Outflows (N$ Millions)



Over a longer time period, the decline in foreign exchange reserves has softened in 2004 compared to a huge decline in 2003 from 2002 (Chart 7.2).

Chart 7.2 Foreign Reserves (N$ Millions)



In US Dollar terms, foreign reserves increased to USD336 million at end of 2004 compared with USD312 million at end of 2003. The reserves rose mainly as a result of the weakness of the US Dollar against the Namibia Dollar and the Euro.

7.2.3 Management of Public Debt

To ensure sustainable Government domestic debt composition and reduce the rollover risk, the focus on debt management in 2004 was, amongst other activities, the reduction of the share of Government short-term debt securities or treasury bills in total Government domestic debt. The aim was to achieve the objectives of the Medium-Term Debt Management Strategy, which sought to minimise the rollover risk by relieving the pressure on the short end of the yield curve. To this end, a borrowing strategy which offered more longer dated Government domestic debt securities and fewer treasury bills was drawn up. This strategy yielded some positive results as the share of treasury bills in total Government domestic debt securities marginally declined from 58 percent at the end of 2003 to 55 percent at the end of 2004.

To support the above strategy and to meet existing demand for longer dated Government debt securities by institutional investors, a new bond – GC24 maturing in October 2024 – was introduced in August 2004. Six auctions of the GC24 were held and N$279 million was raised through the new bond.

As the GC05 nears its redemption in April 2005, the Bank of Namibia in conjunction with the Ministry of Finance instituted and executed a redemption strategy for this bond. To this end, a two pronged strategy was put in place consisting of switch auctions, i.e. allowing investors to trade in their GC05 IRS in exchange for longer dated bonds, and establishing a GC05 Sinking Fund through which funds are set aside to redeem GC05 in April 2005

The money allocated to the GC05 Sinking Fund was raised through primary bond auctions with the proceeds invested in local banking institutions until the redemption date. At the end of 2004, the total amount in the GC05 Sinking Fund, including interest, stood at N$354.8 million. Switch auctions were very successful, as more GC05 stock was switched into longer dated bonds than had originally been planned. Of the total outstanding debt of N$1.1 billion at the beginning of 2004/05 fiscal year, N$428.0 million was switched reducing the net amount to be redeemed to only N$339.7 million at the end of 2004.

7.2.4 Enhancing the development of financial systems

(a) Studies Undertaken

A number of research projects were concluded during the year aimed at deepening and broadening the Namibian financial system. The focal point of the research was to make policy recommendations to enhance access to credit, to raise competition in the banking sector, to determine the existence of a link between local ownership of banks and their efficiency, and to promote investments in private equity. One such study focused on improving the competition in the banking sector, with specific reference to differentiating entry requirements for different classes of banks. A related study looked at bank product pricing practices in Namibia and South Africa with a view of instilling fairness on the part of local banks when determining bank service fees and charges.

Another study focused on the various forms of land tenure in Namibia and on possible reforms that would improve land and the access of property occupants to credit from financial institutions. The key conclusion of the study, which included field trips to relevant areas, is the difficulties which land occupants in communal areas have to obtain credit mainly due to insecure land and property rights. The study also found that communal areas are actually owned by the Government making it difficult for occupants to offer such land as collateral security. Even occupants with 99-year leaseholds could not obtain credit as the leasehold is not tradable. The findings and recommendations of the study, which evolve around reforming the leasehold system and developing and demarcating communal land, would be submitted to the relevant authorities for consideration and further deliberations.

The Bank also reviewed different forms of private equity investment avenues (as opposed to investment in financial institutions) in Namibia and concluded that there is considerable scope for private equity investment in both venture and non-venture activities. Having drawn from experiences of other countries, the Bank made specific recommendations to the Government to create the enabling environment for investment in private equity to flourish.

(b) Payments System

The real-time gross settlement system, called the Namibia Interbank Settlement System (NISS) is now firmly in place and fully operational. Table 9.4 reflects the settlement values for 2003 and 2004.

Table 7.4 Value of settlement transactions through NISS

Year	Total value settled		Value settled gross		Value settled in bulk	
	N$ bn	Annual % change	N$ bn	Annual % change	N$ bn	Annual % change
2003	220.25	---	181.36	---	38.89	---
2004	242.42	10.1%	188.75	4.1%	53.67	38.0%

The total value of transactions settled through NISS rose by just over 10 percent, which is mainly ascribed to a sharp increase in transactions settled in bulk. This, in turn, is attributed to the EFT payment stream which commenced clearing and settling in June 2004 within Namibia. During 2004, the settlement volumes fell slightly by 1 per cent to 37 804 transactions compared to the 38 176 transactions in 2003.

Since the introduction of same-day settlement and more stringent conditions for NISS participants transferring funds to South Africa, there has been a sharp increase in both intraday and overnight credit extended by the Bank to NISS participants through the repo facility. During 2004 overnight credit extended was N$4.6 billion, while in 2003 no overnight credit was extended. The use of intraday repo credit by participants varies strongly from day to day depending on liquidity situation of the participants. During 2004 the daily maximum value of intraday credit extended to NISS participants averaged N$97 million, compared with an average maximum daily exposure of N$74 million in 2003. On 26 November 2004 the maximum intraday credit extended to settlement banks exceeded N$450 million. The NISS is an ideal vehicle to monitor liquidity situation in the banking system and to provide credit to ensure smooth and irrevocable settlement. To enhance the provision of liquidity to NISS participants further, the Bank has reviewed its accommodation policy to banking institutions during 2004, and a New Lending Policy has been drafted. The policy proposes different facilities each with different terms and conditions. The facilities are the Intra-day Repurchase Agreement, the Seven-day Repurchase Agreement, the Marginal Lending Facility, and Lender of Last Resort. The new policy is ready for implementation in 2005.

Further progress was made during the year with the payment system reform project with the Bank's attention being devoted to the namibianisation of various payment and clearing arrangements. The clearing project is essentially driven and funded by the banking institutions while the Bank of Namibia plays the role of overseer and lays down the standards for the implementation of the different payment streams. In June 2004 the electronic funds transfer (EFT) project was successfully commissioned, which meant that all NAD-to-NAD low value / high volume electronic transactions are now generated, processed, cleared and settled in Namibia. The banking institutions have established an outsource service provider – NAMCLEAR – that does the processing and clearing of EFT transactions. NAMCLEAR is also linked to the Bank's NISS to settle most of the local EFT transactions on behalf of banks. Some life insurance companies, who generate considerable volumes of debit orders in Namibia, are not yet fully equipped to participate in the Namibian EFT facility, because they still generate and process debit orders through systems at their South African head-offices. This means that some NAD-to-NAD transactions are still cleared and settled in South Africa. These companies have been advised to develop local facilities to link up with their banks and eventually clear through NAMCLEAR.

The preparatory work for the implementation of the cheque processing system (CPS) has been completed. This project involves the setting up a centralised and interlinked infrastructure for the electronic code-line-clearing of cheques. A vendor to supply the equipment has been appointed and the project is expected to be commissioned in June 2005.

The final leg of the clearing project is to establish a local infrastructure for all ATM, debit and credit card and point-of-sale transactions. These types of transactions are currently being processed through South African institutions. The card project is planned to be completed towards the end of 2005.

Payment system oversight is a public policy focusing on the efficiency and safety of the payment system in its entirety and on the components of all payment, clearing and settlement arrangements. Payment system oversight is but one approach of the Bank to ensure financial stability. To this end, a payment system oversight framework was drafted focusing specifically on compliance with the BIS Core Principles for Systemically Important Payment Systems. During the year the Bank has given preliminary approval to NAMCLEAR as a payment system service provider and has ensured that all clearing activities by NAMCLEAR on behalf of participant banks are lawfully governed through proper payment clearing house (PCH) agreements.

7.2.5 Improving the effectiveness of macro-economic management

(a) Liquidity Position in the Namibian Banking System

Significant progress was made in developing a framework to assess and forecast the money market or liquidity position in the Namibian banking system. The information emanating from this framework will eventually be used as a basis for deciding on possible central bank intervention to either provide or extract liquidity from the money market. Assistance from the IMF was obtained to assess the effectiveness of the framework and to advise on suitable ways and instruments in which the Bank could intervene in the market to manage the liquidity position.

(b) Macro-Economic Model Enhanced

The Bank's macro-economic model, called NAMEX, was further enhanced during the year to include satellite modules to simulate and forecast individual sectors of the economy. NAMEX has proven to be quite robust and able to reflect the structure of and the macro-economic linkages in the economy accurately.

The model is successfully used to formulate the macro-economic framework for the annual budget and the medium-term expenditure framework of Government.

7.2.6 Building capacity, organisational culture and shared vision

(a) Training and Development

Over the past year the Bank has continued to invest progressively in the training and development of its staff. Training is kept in line with the strategic objectives of the Bank and the respective departmental business plans. All training was thus provided in order to address and correct current performance deficiencies. Four employees were still on full-time studies during the year under review. One of them has completed the studies and has resumed duties with the Bank. In total, 62 courses were attended by various employees of the Bank during the period under review. In addition, the Bank has continued to build capacity through “on-the-job coaching” and in-house courses. Management and leadership development has been a high strategic priority for capacity building and, in this regard, the Bank facilitated the attendance of four female senior officers to the Stellenbosch Management Development Programme (MDP) this year.

(b) Organisational Culture and Vision Building

Over the past year, the Bank has continued to invest in organisational culture and vision building initiatives. The rationale behind these initiatives is that employees who share a culture are more likely to be unified in their actions, and such unity affects performance and subsequently the achievement of the overall goals and objectives of the Bank. For this reporting period, the Bank continued to mobilise staff around the Corporate Charter by engaging them with vision and organisational culture enhancing activities such presentations, teambuilding initiatives and the annual “Eagle’s Way” festival.

(c) Affirmative Action/Gender Equity

In terms of its gender equity plan, the Bank intends to increase female representation at management level. The main activities around this challenge are to encourage female staff for appointments and promotions and to train and prepare women for their intended future roles. During this reporting period, four female staff members were enrolled for the MDP, at least six were promoted to higher levels and nine females were recruited since January 2004. During the review period, the Bank has met its obligation of submitting Affirmative Action reports to the Employment Equity Commission.

7.2.7 Strengthening Stakeholders Relationships

Building and consolidating relationships with stakeholders continues to be one of the strategic priorities of the Bank. In line with this priority, the Bank initiated a number of activities that were aimed at enhancing positive relationships with key stakeholders.

(a) Media relations

As part of an ongoing process to maintain sound media relations, the Governor visited all media houses in Windhoek in an attempt to explore how the Bank could best utilise and co-operate with the media to realise its overall objectives. The Bank also invited and hosted media representatives to share information on the operations of a central bank in the economy. The year 2004 saw the Bank sponsoring the Best Economic Reporter and Best Student Journalist Awards which were organised by the Media Institute of Southern Africa (MISA) in Windhoek. During the year, senior management staff of the Bank were trained to obtain a better understanding of the functions of the media.

(b) Stakeholders relations

The Bank attended and made presentations at stakeholders’ meetings across the country on the role of the Bank in the economy. Other key stakeholders, such as Government ministries, met the Bank on a regular basis, as was set out on the Bank’s calendar of activities for 2004. On a number of occasions during the year, the Bank reached out to Members of Parliament and the Cabinet and shared economic information.

Cognisant of the need to bolster positive relations with internal stakeholders, a number of intervention activities were also put in place in 2004. Internal communications guidelines were introduced in the Bank to ensure effective internal communication. Other measures include regular general staff meetings where the Governor addresses the staff on issues of concern. The intranet facilities were revamped to ensure effective internal interaction among staff members to discuss policy and operational issues.

In its dialogue with stakeholders, the Bank continues its efforts to share information and research findings, thereby stimulating the debate on critical policies issues. The Bank shares information through its quarterly bulletin, annual report and other research papers and through public forums.

During the year, the Bank once again hosted the Governor's Annual Address and the Sixth Annual Symposium. The Governor's annual address is used to address key players in the economic and the financial sector. The theme for 2004 was "Monetary Integration in Southern Africa: Issues and Challenges".

The Annual Symposium is another platform where major players in the economy come together to deliberate on economic and banking related issues which may have national policy implication. This year's symposium was deliberated on the "Challenges for the Development of the Namibian Bond Market: Lessons from other Smaller Economies". In addition, the Bank of Namibia, the National Chamber of Commerce and Industry (NCI), NEPRU and the University of Namibia co-hosted a seminar on Namibia's competitiveness ranking. At this seminar, the importance of developing skills in the country was emphasized.

(c) Social responsibility

The Bank continues to meet its corporate and social responsibilities. Even though the Bank manages a small social responsibility scheme which is targeted at educational related activities, it has managed to enhance its visibility in the country. Best performing commerce students from the University of Namibia and the Polytechnic of Namibia received monetary rewards in recognition of their outstanding academic work. The year also saw the Bank donating some computers to needy rural schools. In the same spirit, the Bank also supported non-profit making organisation involved in charity work by buying/sponsoring tables at their funding raising events.

7.3 CORPORATE GOVERNANCE AND RISK MANAGEMENT

7.3.1 Corporate governance

The Bank of Namibia is committed to comply with generally accepted corporate governance principles and practices. Continuous efforts are made to comply with the codes of good practice laid down as guidelines by the IMF and the BIS. The Board of the Bank consists of two executive directors, namely the Governor and Deputy Governor, while there are six non-executive directors. All Board members are appointed by the President of the Republic of Namibia. The Governor serves as the chairperson of the Board and as chief executive officer of the Bank.

The Board meets regularly throughout the year (but not less than four times a year) and is, in terms of the Bank of Namibia Act, 1997 (as amended) responsible for the policy, internal controls, risk management and general administration of the Bank. The Board, therefore, oversees the operations and policies of the Bank and considers and approves relevant matters for which the Board is responsible. Its monitoring function involves overseeing the performance of those to whom specific duties and powers have been delegated.

The Board has formed two committees – the Audit Committee and the Remuneration Committee – each chaired by a non-executive director. The Audit Committee meets regularly with the Internal Audit Division, management and the external auditors to review the financial operations of the Bank and the adequacy of policies and standards supporting proper financial management, internal audit and risk management. The Remuneration Committee is responsible for the determination of major personnel policies matters and the remuneration practices and policies of the Bank. The Board, on the recommendation of the Remuneration Committee, also approves the remuneration packages of all staff. The remuneration of the Governor, Deputy Governor and Board Members is determined by the Board, in consultation with the Minister of Finance.

7.3.2 Risk management

The Bank acknowledges that it and its operations are exposed to a large range of risks and has put structures, systems and procedures in place to eliminate or mitigate such risks. Not only is the Bank exposed to local and international financial and economic influences, but by the nature of its operations, as a central bank, it is prone to a range of operational risks.

In accordance with the Bank's Risk Management Policy, all departments, including the Oshakati Branch, are required to submit and present quarterly risk reports to the Risk Management Committee (RMC) to explain how management operates and controls key risks in their areas of operations. Management also provides feedback reports on the status of implementing any outstanding internal control measures to mitigate and/or eliminate risks. The chairperson of the RMC reports to the Audit Committee on a quarterly basis, highlighting measures taken to manage and control key risks at a bank-wide level. The RMC puts particular emphasis on the adequacy of measures to contain or eliminate risks to which the Bank is exposed.

The Bank regards the following risk categories as the key risks on a Bank-wide level and has designed structures, systems and procedures to manage these risks.

(a) Reputation Risk

Reputation risk is a derivative of other risks such as the non-compliance with statutes, regulations and legal provisions, and with good business or corporate governance practices, which could result in bad or negative public opinion. To mitigate this risk, the Bank ensures strict compliance with the legislation governing the operations of the Bank and regulatory powers entrusted to the Bank. The Bank supports open communication internally and externally. In this respect, the Bank has increased its public awareness activities in order to counter misleading publicity based on lack of or inaccurate information about the Bank's operations and policies.

(b) Operational Risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, ineffective internal controls, fraud and human error. Given the typical functions of a central bank, the Bank is particularly exposed to various forms of operational risk. The possibility of fraud, through loss or theft of cash and assets, misappropriation of funds or abuse of the Bank's regulatory powers, is minimised through various forms of controls at different levels. These include physical and electronic surveillance, strict adherence to procedure manuals, dual control in the handling of currency and separation of raising and authorising transactions. Internal Audit carries out regular independent routine and surprise checks and counts, while the Risk Management Committee and the Audit Committee is mainly concerned about the adequacy and effectiveness of various controls and measures and enforces remedial actions.

The Bank is also exposed to the risk of losing information through system failure and inability to deliver agreed stability, functionality and data integrity. Most of the Bank's information is stored in database systems and only some systems have been deployed at the Disaster Recovery Site (DRS). This situation might cause a computer technology failure in a case of a major disaster. The bank is in the process of establishing replicate systems at the DRS.

Operational risks also involve unauthorised access to sensitive confidential information or high security areas of the Bank. To counter this type of risk, the Bank adheres to strict security measures throughout the premises of the Bank. The electronic security systems are regularly tested and upgraded if necessary. Unauthorised access to the Bank's computer systems is strictly controlled and regular testing and upgrading to the Bank's computer network servers and systems are done.

(c) Supervisory and Regulatory Risk

It is the risk resulting from the Bank not enforcing or applying its regulatory powers or applying them incorrectly or only partially. To minimise this risk, staff in both the Banking Supervision department and the Exchange Control division are required to have a superior understanding of the laws they apply and to work strictly in accordance with the laid down guidelines and procedures. Dual control in exercising the Bank's regulatory powers is maintained.

(d) Human Resources Risk

The Bank is exposed to this risk when key staff leaves the Bank's employment or when poor working conditions and relationships are developing. To counter this risk, the Bank has implemented a multi-skill programme for staff in certain key operations. Staff rotation guidelines have been introduced, while annual remuneration surveys are made in the local financial market to ensure that the Bank's remuneration is market related. Should it be required, standby personnel are required to work overtime on behalf of absent staff in order to continue with key operations in the event of absenteeism. The Bank pays particular attention to training and capacity building of its staff. The Bank endeavours to promote a healthy working environment through the Bank's vision-building efforts, its employee wellness programme, open communication and staff unionisation.

(e) Liquidity Risk

Liquidity risks are posed in two areas, i.e. the liquidity of international reserves and liquidity in the banking system. The Bank's Foreign Exchange Reserves Management and Investment Policy is structured in such a way that ensures sufficient liquidity in the investment portfolio to be able to service the country's external liabilities as and when they fall due. This is done by maintaining well-funded liquid investments to meet the transaction requirements. This tranche is funded with call account balances only in order to ensure that investments are liquidated efficiently without undue costs.

The Bank monitors the daily liquidity situation in the banking system and extends intraday and overnight repo credit to banks to meet their settlement obligations. The Bank is not yet participating in the open market to provide or absorb liquidity through buying or selling of liquid instruments, but the liquidity monitoring and forecasting framework of the Bank is aimed at providing the basis for open-market operations in future.

(f) Settlement or Credit Risk

It is the risk of losing money resulting from a default by the counterparty on its obligations. Transactions regarding treasury bill obligations are in a book-entry format, rather than in physical certificate form. This enables accurate registration and transfer of securities thus minimising the possibility of default. The Bank's investment policy only allows placement of funds in highly rated institutions and instruments to reduce any default risk. Credit to banking institutions is extended in the form of a repurchase agreement, giving immediate ownership of repoed instruments to the Bank in case of default.

(g) Market price risk

Market price risk is the risk of loss resulting from change in market conditions and prices. In extending credit to banking institutions, this risk is substantially reduced by a rigorous repurchase agreement, by applying a hair-cut applied to the valuation of purchased securities and by using modern technology and appropriate organisational structures and procedures.

7.3.3 Internal Audit and Business Continuity Management

The Internal Audit function of the Bank has adopted a risk based internal audit approach, focusing efforts on those areas posing the highest risk to the Bank. Various high-risk operations of the Bank have been investigated to assess the adequacy and effectiveness of internal control systems and procedures that are put in place. The interventions by Internal Audit have resulted in critical reviews of existing controls and procedures and the strengthening of the same.

Good progress was made during the year to develop Bank-wide Business Continuity Management (BCM) actions and disaster recovery plans. BCM is an integral part of the risk management process and is a specialist discipline in which key business process failures are prevented or mitigated. Pre-defined actions, policies, rules and facilities will be put in place in order to reinstate the Bank's operations after a disaster.

Although disaster recovery plans and a disaster recovery site exist for some critical systems and operations, the Bank is currently implementing a comprehensive business continuity plan for all critical business processes. This involves departments identifying their critical business operations, listing all risks associated with each function and providing comprehensive recovery strategies in the event of a major disaster occurring. Disaster recovery plans will then be established for each critical operation, setting out how departments would institute measures to mitigate against a particular risks. A comprehensive bank-wide business continuity master plan will then be compiled from all the disaster recovery plans.

The Risk Management Committee is responsible to oversee the implementation of the business continuity plan on a bank-wide level. However, the Internal Audit function and the Information Technology department co-ordinate the business continuity plan implementation process, which is expected to be completed in the first quarter of 2005.

PART D

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Report in terms of section 52(1)(a) of the Bank of Namibia Act No.15 of 1997

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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

Introduction

We have audited the annual financial statements of the Bank of Namibia set out on pages 80 to 95 for the year ended 31 December 2004. These financial statements are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Bank of Namibia at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Bank of Namibia Act, No 15 of 1997.

Deloitte + Touche

Deloitte & Touche
Chartered Accountants (Namibia)
WINDHOEK
24 February 2005

BOARD'S STATEMENT OF RESPONSIBILITIES

The main statutory provisions relating to the role and duties of members of the Board are covered under Section 8(1) of the Bank of Namibia Act, No 15 of 1997, we confirm that:

1. The Board and members of Management are responsible for the preparation of the annual financial statements and for the judgements used therein;

2. The Board has overall responsibility for the system of internal financial control in the Bank, which is designed to safeguard the assets of the Bank, prevent and detect fraud and other irregularities. To discharge this responsibility an appropriate organisational structure has been established. In this regard, the Audit Committee of the Board meets periodically with Internal and External Auditors and members of Management of the Bank to discuss control issues, financial reporting and related matters. The Internal and External Auditors have full access to the Audit Committee. Further, the Bank has a comprehensive Risk Management Strategy in place.

3. The Board is satisfied that Namibian Generally Accepted Accounting Practice and Standards, in line with the nature of central banking activity have been consistently applied and are supported by reasonable and prudent judgements and estimates.

4. The Board members confirm that they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this they continue to adopt the "going concern" basis for preparing the financial statements.

5. The Board Audit committee is composed of members who are neither officers nor employees of the Bank and who have the required mix of skills, with at least one member being a financial expert. The committee is therefore qualified to review the Bank's annual financial statements and recommend their approval by the Board of Directors. The committee has a duty to review the adoption of, and changes in accounting principles and procedures that have a material effect on the financial statements and to review key management proposals including risk management issues and makes recommendations on the same for approval. The Board considers and where necessary approves the Board Audit committee recommendations.

The annual financial statements on pages 80 to 95 were approved by the Board and are signed on its behalf by:

CHAIRMAN
24 February 2005

BOARD MEMBER
24 February 2005

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2004

	Notes	2004 N$' 000	2003 N$' 000
Net interest income		74 042	97 756
Interest income		88 870	137 844
Interest expense		(14 828)	(40 088)
Net realised losses on portfolio investments		(5 098)	(4 069)
Other income		42 560	5 569
Total income		111 504	99 256
Operating expenses		96 287	97 290
Administration expenses		67 005	65 621
Currency expenses		6 781	7 718
Depreciation		10 797	11 410
Other operating costs		11 704	12 541
Profit for the year	2	15 217	1 966
Transfers to reserves		10 652	906
General reserve		5 652	906
Development fund reserve	11	5 000	-
Distribution to State revenue fund		4 565	1 060

BALANCE SHEET
AS AT 31 DECEMBER 2004

	Notes	2004 N$' 000	2003 N$' 000
ASSETS			
Non-Current Assets		193 001	212 438
Property, plant and equipment	3	160 323	159 261
Currency inventory		8 437	10 425
Loans and advances	4	24 241	42 752
Current Assets		2 546 332	2 156 047
Investments	5	1 902 286	2 090 925
Loans and advances	6	555 400	42 259
Rand cash		47 246	13 210
Other assets	7	41 400	9 653
TOTAL ASSETS		**2 739 333**	**2 368 485**
EQUITY AND LIABILITIES			
Capital and Reserves		607 179	716 800
Share capital	8	40 000	40 000
General reserve	9	234 988	229 336
Revaluation reserve	10	312 191	432 464
Development Fund Reserve	11	20 000	15 000
Non Current Liabilities		11 973	10 173
Post-retirement benefits obligations	15	11 973	10 173
Current Liabilities		2 120 181	1 641 512
Notes and coins in circulation	12	945 758	918 686
Deposits	13	1 162 657	665 819
Post-retirement benefits obligations	15	292	247
Other liabilities	14	11 474	56 760
TOTAL EQUITY AND LIABILITIES		**2 739 333**	**2 368 485**

TOM K. ALWEENDO
GOVERNOR

24 February 2005

UBAIDULLAH DAVIDS
CHIEF FINANCIAL OFFICER

24 February 2005

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share Capital N$'000	General Reserve N$'000	Revaluation Reserve N$'000	Development Fund Reserve N$'000	Total N$'000
Balance at 1 January 2003 as previously stated	40 000	237 282	792 485	15 000	1 084 767
Change in accounting policy	-	(8 852)	-	-	(8 852)
Balance at 1 January 2003 As re-stated	40 000	228 430	792 485	15 000	1 075 915
Net foreign exchange losses	-	-	(360 021)	-	(360 021)
Appropriation of net profit for the year	-	906	-	-	906
Balance at 31 December 2003	40 000	229 336	432 464	15 000	716 800
Net foreign exchange losses	-	-	(120 273)	-	(120 273)
Appropriation of net profit for the year	-	5 652	-	5 000	10 652
Balance at 31 December 2004	40 000	234 988	312 191	20 000	607 179

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 N$'000	2003 N$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised by operations	1	(98 015)	(473 527)
CASH FLOWS FROM INVESTING ACTIVITIES		70 943	373 821
Proceeds on disposals of fixed assets		84	2 864
Purchase of fixed assets		(11 930)	(7 192)
Purchase of currency inventory		(4 088)	(1 065)
Decrease in investments		68 366	392 020
Decrease/(increase) in loans and advances		18 511	(12 806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Notes and coins in circulation		27 072	99 706
	1.11	-	-

NOTE:

1. CASH UTILISED BY OPERATIONS

	2004	2003
Profit for the year	15 217	1 966
Adjusted for:		
Depreciation	10 797	11 409
Amortization of currency	6 078	6 477
Loss on disposal of fixed assets	3	-
Prior year adjustment – post retirement medical obligations	-	1 568
Profit on disposal of fixed assets	(18)	(3)
Operating cash flows before movements in working capital	32 077	21 417
Decrease in bankers' current	-	61 689
Increase in loans and advances	(513 141)	(23 287)
(Increase)/decrease in rand cash	(34 036)	25 294
Increase in other assets	(31 747)	(1 367)
Increase/(decrease) in deposits	492 273	(605 776)
(Decrease)/increase in other liabilities	(43 441)	48 503
	(98 015)	(473 527)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2004

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared on the historical cost basis, except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted. The annual financial statements have also been prepared to comply with the requirements of the Bank of Namibia Act, 1997. The principal accounting policies, which have been consistently applied in all material respects aside from the Namibian Accounting Standard AC 116 which has been adopted in the current financial year, are set out below. The accounting policies comply in all material respects with Namibian Statements of Generally Accepted Accounting Practice.

1.1 Change in Accounting Policy

The Bank has adopted accounting standard AC 116 – "Employee Benefits" with effect from 1 January 2004. The objective of this statement is to prescribe the accounting treatment and disclosure for employee benefits by the employer. Previously post-retirement benefits were expensed when incurred. The basis has been changed during the year whereby the Bank recognises the present value of the post-retirement medical scheme costs of current and future pensioners of the bank. An actuarial valuation has been performed to determine the present value of the employer's subsidy towards the post-employment medical scheme of current and future pensioners of the Bank of Namibia. This is the first full pre-funding valuation that has been performed.

In order to comply with the requirements prior year opening retained earnings have been adjusted accordingly with the accrued liability as 1st January 2003, with movements for the current year being charged through the income statement.

The effect of the provision for this potential liability has been to decrease retained earnings at 1 January 2003 with N$8 852 000.

The effect on the income statement is as follows:

	Net amount N$'000
2003	
Increase in employment costs	1 568
2004	
Increase in employment costs	1 845

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Financial Instruments

Financial instruments are initially measured at cost which includes transaction costs. Subsequent to initial recognition, all instruments are measured at fair value which is determined by instrument type based on accepted valuation concepts. Gains and losses arising from changes in fair value of the concerned instruments are included in the income statement for the year.

1.3 General reserve

The general reserve is established in terms of Section 16 of the Bank of Namibia Act, 1997 and may only be used for the purpose specified therein.

1.4 Foreign currency activities and Revaluation reserve

Assets and liabilities in foreign currencies are translated to Namibia Dollars at year-end exchange rates. In terms of section 31 of the Bank of Namibia Act, 1997, exchange gains and losses of the Bank are for the account of the Government and are consequently transferred to the Revaluation Reserve Account.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost and are depreciated on the straight-line method over their estimated useful lives at the following rates:

Freehold buildings	2.0 %
Computer hardware	50.0 %
Computer software	33.3 %
Motor vehicles	25.0 %
Furniture, fittings and equipment	20.0 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Investments

Investments in marketable securities are stated at market value and include realised and unrealised capital appreciation, or depreciation, which is taken into account to reflect changes in market value. Realised capital appreciation and depreciation as well as unrealised capital appreciation and depreciation are recognised in the income statement.

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.

Other investments are initially stated at cost and subsequently measured at fair value where applicable. Any exchange rate movements are accounted for through the Revaluation Reserve Account.

Interest from investments is accounted for on the accruals basis.

1.7 Currency inventory

The costs of new Namibia bank notes and coins are capitalised and amortised on the earlier of issue of the currency or five years.

1.8 Pension fund

It is the policy of the bank to provide retirement benefits for employees. Contributions to the pension fund are charged against income in the year in which they become payable.

1.9 Impairment of assets

The carrying amount of the assets of the Bank is reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Post- retirement medical benefits

The Bank provides for post-retirement medical benefits in the form of a medical aid scheme for eligible employees and pensioners. The cost of providing benefits is determined using the projected unit credit method. The liability for the Bank's contribution to the scheme is, in respect of current and future pensioners, provided for by means of an on-balance sheet liability. The magnitude of the liability is based on an actuarial valuation. Actuarial gains and losses on the post-retirement medical benefits are accounted for in the year in which they arise.

1.11 Cash flow statement

This has been prepared in accordance with AC 118. The definition of cash in the standard is not wholly appropriate to the Bank. Due to its role in the creation and withdrawal of currency, the Bank has no cash balances on its balances sheet. However the Bank has the ability to create cash when needed.

1.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.13 Transactions on behalf of Government

The Bank undertakes several transactions on behalf of the Government, which include among others, opening and maintenance of accounts for donor funded projects and the maintenance of accounts for line ministries. All such accounts opened are pre-funded with the funds received invested and the corresponding liability recorded in the books of the Bank. The transactions where the Bank only acts as an agent, as well as the assets and liabilities arising from such transactions, are not reflected in the annual financial statements of the Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

		2004	2003
		N$' 000	N$' 000

2. NET PROFIT FOR THE YEAR

The net profit for the year is arrived at after taking the following items into account:

		2004 N$' 000	2003 N$' 000
Income			
Rand compensation income		36 000	-
Profit on disposal of property, plant and equipment		18	3
Unwinding of present value adjustments		1 658	1 186
Expenditure			
Realised losses on portfolio investments		5 098	4 069
Salaries and related personnel costs		60 955	59 430
Staff training and development		972	1 084
Social responsibility		1 019	530
Board members' fees	- for services as directors	176	187
Auditors' remuneration	- audit fees	220	209
	- other services	25	108
Membership fees		134	17
Building and other maintenance costs		4 119	3 983
Loss on disposal of property, plant and equipment		3	-
Fair value adjustments of new loans		1 188	384
Number of employees		268	274

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings N$' 000	Computer software & hardware N$' 000	Furniture fittings & equipment N$' 000	Motor vehicles N$' 000	Total N$' 000
Cost					
2004					
At 1 January 2004	155 464	23 399	22 978	1 209	203 050
Additions	96	745	11 089	-	11 930
Disposals/write-offs	(2)	(42)	(126)	-	(170)
At 31 December 2004	155 558	24 102	33 941	1 209	214 810
Depreciation					
At 1 January 2004	11 223	15 672	16 057	837	43 789
Current year charge	3 026	4 963	2 648	160	10 797
Disposals/write-offs	-	(25)	(74)	-	(99)
At 31 December 2004	14 249	20 610	18 631	997	54 487
Book value					
At 1 January 2004	144 241	7 727	6 921	372	159 261
At 31 December 2004	141 309	3 492	15 310	212	160 323
2003					
Cost					
At 1 January 2003	157 333	22 691	19 616	870	200 510
Additions	961	2 128	3 764	339	7 192
Disposals/write-offs	(2 830)	(1 420)	(402)	-	(4 652)
At 31 December 2003	155 464	23 399	22 978	1 209	203 050
Depreciation					
At 1 January 2003	8 198	12 112	13 226	635	34 171
Current year charge	3 025	4 980	3 202	202	11 409
Disposals/write-offs	-	(1 420)	(371)	-	(1 791)
At 31 December 2003	11 223	15 672	16 057	837	43 789
Book value					
At 1 January 2003	149 135	10 579	6 390	235	166 339
At 31 December 2003	144 241	7 727	6 921	372	159 261

A register containing details of land and buildings is available for inspection at the registered office of the Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
31 DECEMBER 2004

	2004	2003
	N$'000	N$'000
4. LOANS AND ADVANCES		
Staff Loans	16 676	19 032
Less: Present value adjustment for off-market staff loans	(2 650)	(3 120)
	14 026	15 912
Other Loans	10 215	26 840
Closing balance	24 241	42 752
5. INVESTMENTS		
Rand currency	1 242 907	729 754
Other currencies	659 379	1 361 171
	1 902 286	2 090 925
6. LOANS AND ADVANCES		
Investments - Local Banks	419 581	42 259
Repurchase Agreements	135 819	-
	555 400	42 259

Investments - local banks relates to investments held with the commercial banks on behalf of the Government for the debt management programme.

Repurchase agreements relates to the over night loan facilities granted to the commercial banks to cover for temporary liquidity shortages.

	2004	2003
7. OTHER ASSETS		
Stock inventory	1 690	266
Rand compensation receivable - Government	36 000	-
Accounts receivable	3 556	9 218
IMF – special drawing rights	154	169
	41 400	9 653

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

		2004	2003
		N$' 000	N$' 000
8.	**SHARE CAPITAL**		
	Authorised share capital		
	100 000 000 Ordinary shares of N$1 each	100 000	100 000
	Issued share capital		
	40 000 000 Ordinary shares of N$1 each	40 000	40 000
9.	**GENERAL RESERVE**		
	Opening balance	229 336	228 430
	Transfer from profit	5 652	906
	Closing balance	234 988	229 336
10.	**REVALUATION RESERVE**		
	Opening balance	432 464	792 485
	Net foreign exchange losses	(120 273)	(360 021)
	Closing balance	312 191	432 464
11.	**DEVELOPMENT FUND RESERVE**		
	Opening balance	15 000	15 000
	Transfer from profit	5 000	-
	Closing balance	20 000	15 000

This reserve has been created to provide a grant to the Development Bank of Namibia on its formation.

		2004	2003
12.	**NOTES AND COINS IN CIRCULATION**		
	Notes	879 526	859 349
	Coins	66 232	59 337
		945 758	918 686

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

	2004	2003
	N$' 000	N$' 000

13. DEPOSITS

	2004 N$' 000	2003 N$' 000
Government of the Republic of Namibia	723 585	252 802
Domestic bankers' reserve account	200 955	168 261
Domestic bankers' call account	-	85 759
Domestic Bankers' current account	91 911	-
Other	146 206	158 997
	1 162 657	665 819

The Government of the Republic of Namibia has access to an overdraft facility of N$100 million (2003: N$250 million) with the Bank of Namibia, of which interest is payable at the ruling Treasury Bill rate plus 2% at the time the facility is made available.

Interest is payable to the Government of Namibia on deposits in excess of N$250 million (2003: N$250 million) at the 91 day Treasury Bill rate less a discount of 4.5%.

14. OTHER LIABILITIES

	2004 N$' 000	2003 N$' 000
Treasury bills	-	43 560
Sundry creditors	11 474	13 200
	11 474	56 760

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

	2004	2003
	N$' 000	N$' 000

15. POST-RETIREMENT BENEFITS

The Bank provides post-retirement medical aid benefits to retired staff members. A provision for the liability has been created which covers the total liability i.e. the accumulated post-retirement medical benefits at fair value as at 31st December 2004.

	2004 N$' 000	2003 N$' 000
Opening liability	10 420	-
Prior year adjustment	-	8 852
Restated opening liability	10 420	8 852
Interest costs	1 277	1 085
Current service costs	815	693
Benefit payments	(247)	(210)
Closing liability	12 265	10 420
Current portion of post-retirement benefits obligations	(292)	(247)
Non-current portion of post-retirement benefits obligations	11 973	10 173

Key assumptions

Discount rate	11.5 % p.a.
Medical inflation	9.5% p.a.
Valuation date	31 December 2004

16. GUARANTEES

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

17. CONTINGENT LIABILITY

There is a claim of US$2 917 015 against the Bank which relates to a guarantee issued by the Bank in 1993. The total possible loss, including costs may amount to not less than N$18 million. (2003: N$20 million) The Bank views the case as having no substance and is addressing it in conjunction with its legal advisors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) 31 DECEMBER 2004

18. RETIREMENT FUND

Retirement benefits are provided for employees by a separate Provident Fund, known as the Bank of Namibia Provident Fund, to which the Bank contributes. The Provident Fund is administered under the Namibian Pension Fund Act, No. 24 of 1956. An actuarial valuation was last performed (with no adjustments recommended) on 1 March 2000. The Fund was converted from a Defined Benefit Pension Fund to a Defined Contribution Provident Fund as at 1 March 2000. All employees contribute to the Fund. Total Bank contributions for the year amounted to N$5 877 391 (31 December 2003: N$5 612 074).

19. TAXATION

No provision for taxation has been made in the annual financial statements as the Bank is exempted from taxation in terms of section 57 of the Bank of Namibia Act, No. 15 of 1997.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk management policies of the Bank regarding financial instruments are dealt with in regular reviews of the Bank's reserve management policies. The main risk areas are market, currency, credit and interest rates. The Bank invests in investment grade currencies in accordance with the country's known or potential trade flows, especially the import component. Interest rate risk is managed by using modified duration, while credit risk is controlled by dealing with high quality institutions or counterparties, as determined by international rating agencies.

21. CAPITAL COMMITMENTS

	2004	2003
	N$' 000	N$' 000
Contracted	15 842	-
Not contracted	2 674	5 665
	18 516	5 665

These capital commitments will be funded from internal resources.

22. RELATED PARTY INFORMATION

During the year the Bank, in its ordinary course of business entered into various transactions. These transactions were undertaken on commercial terms.

PART E

STATISTICAL APPENDIX

8. STATISTICAL APPENDIX

8.1 METHODS AND CONCEPTS

BALANCE OF PAYMENTS

Accrual accounting basis

This applies where an international transaction is recorded at the time when ownership changes hands, and not necessarily at the time when payment is made. This principle governs the time of recording for transactions; transactions are recorded when economic value is created, transformed, exchanged, transferred or extinguished.

Balance of Payments

The Balance of Payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world. Transactions, for the most part between residents and nonresidents, consist of those involving goods, services, and income; those involving financial claims and liabilities to the rest of the world; and those (such as gifts) classified as transfers. It has two main accounts viz, the current account, capital and financial account. Each transaction in the balance of payments is entered either as a credit/asset or a debit/liability. A credit/asset transaction is one that leads to the receipts of payment from non-residents. Conversely, the debit/liability leads to a payment to non-residents.

Capital and Financial Account

In the balance of payments, the capital account covers capital transfers and the acquisition or disposal of non-produced non-financial items such as patents. The financial account of the balance of payments consists of the transactions in foreign financial assets and liabilities of an economy. The foreign financial assets of an economy consist of holdings of monetary gold, IMF Special Drawing Rights and claims on non-residents. The foreign liabilities of an economy consist claims of non-residents on residents. The primary basis for classification of the financial account is functional: direct, portfolio, other investment, financial derivatives and reserve assets.

Capital Transfers

Capital transfers in kind consists of the transfers without a quid pro quo of the (1) ownership of a fixed asset or (2) the forgiveness, by mutual agreement between creditor and debtor, of the debtor's financial liability when no counterpart is received in return by the creditor. Capital transfer in cash, on the other hand, is linked to or conditional on, the acquisition or disposal of a fixed asset by one or both parties to the transaction (e.g., an investment grant).

Current Account Balance

The current account of the balance of payments covers all transactions (other than those in financial items) that involve economic values, (i.e; real transactions) and occur between residents and non-resident entities. Also covered are offsets to current economic values provided or acquired without a quid pro quo. Included are goods, services, income and current transfers. The balance on goods, services, income and current transfers is commonly referred to as the "current balance" or "current account balance".

Current Transfers

Current transfers are all transfers of real resources or financial items without a quid pro quo and excludes transfers of funds directed for capital investments. Included are gifts of goods and money to or from non-residents viz, governments and private individuals. Current transfers directly affects the level of disposable income and should influence the consumption of goods and services.

Direct Investment

Direct investment refers to a lasting interest of an entity resident in one economy (the director investor) in an entity resident in another economy (the direct investment enterprise), with an ownership of 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Double-entry accounting

The basic accounting conversion for a balance of payment statement is that every recorded transaction is represented by two entries with exactly equal values. Each transaction is reflected as a credit (+) and a debit (-) entry. In conformity with business and national accounting, in the balance of payment, the term: credit is used to denote a reduction in assets or an increase in liabilities, and debit a reduction in liabilities or an increase in assets.

Goods

These are real transactions with change in the ownership of physical products and include consumer and capital goods.

Income

Income covers two types of transactions between residents and nonresidents: (i) those involving compensation of employees, which is paid to non-resident workers (eg., border, seasonal and other short-term workers), and (ii) those involving investment income receipts and payments on external financial assets and liabilities. Included in the latter are receipts and payments on direct investment, portfolio investment and other investment and receipts on reserve assets. Income derived from the use of tangible asset e.g., car rental by a non-resident is excluded from income and is classified under services such as travel.

Merchandise Trade Balance

This is net balance of the total export and import of goods excluding transactions in services between residents and non-residents. Trade balance is the net balance of the total export and import of goods including transactions in services between residents and non-residents.

Net Errors and Omissions

The balance of payment accounting framework requires a balancing item as the measure of the difference between recorded credits/debits and omissions. This is called ‘net errors and omissions’. Theoretically, it measures quality though in practice a zero/lower net errors and omissions could imply not necessarily good quality data but that debits and credits just cancelled each other.

Other Investment

Other investment covers all financial instruments other than those classified as direct investment, portfolio investment, financial derivatives or reserve assets.

Overall Balance of Payments

A balance simply refers to the difference between the sum of credits and debit entries. The overall balance is a very simple concept but a powerful analytical tool often used by analysts. In the balance of payment overall balance refers to the balance between the sum of the current account balance, the capital and financial account balance and net errors and omissions.

Portfolio Investment

Portfolio investment includes trading in equity and debt securities (other than those included in direct investment and reserve assets). These instruments are usually traded (or tradable) in organized and other financial markets, including over-the-counter (OTC) markets.

Reserve Assets

Reserve assets consist of those external assets that are readily available to and controlled by the monetary authority for the direct financing of payments imbalances, for indirectly regulating the magnitude of such balances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.

Residency

In the balance of payments, the concept of residency is based on a sectoral transactor’s center of economic interest. Country boundaries recognized for political purposes may not always be appropriate for economic interest purposes. Therefore, it is necessary to recognize the economic territory of a country as the relevant geographical area to which the concept of residence is applied. An institutional unit is a resident unit when it has a center of economic interest in the territory from which the unit engages in economic activities and transactions on a significant scale, for a year or more.

MONETARY AND FINANCIAL DEVELOPMENT

3-Month BA rate

The interest rate on a time draft (bill of exchange) drawn on and accepted by Other Depository Corporations on which it was drawn; the bank accepting the draft assumes the obligation of making payment at maturity on behalf of its client.

Bank Rate

The rate charged by the Bank of Namibia on advances on specific collateral to Other Depository Corporations.

Depository Operations Survey

The Depository Corporations Survey is a consolidation of the Central Bank Survey and the Other Depository Corporations Survey.

Bond

A security that gives the holder the unconditional right to a fixed money income or an income linked to some index, and except for perpetual bonds, an unconditional right to a stated fixed sum or a sum linked to some index on a specified date or dates.

Broad Money Supply (M2)

Broad Money Supply (M2) is defined to include Currency in circulation, transferable and other deposits of the other non-financial corporations.

Transferable Deposits

These are deposits that are exchangeable without penalty or restriction, on demand and are directly usable for making third party payments.

Other Depository Corporations (ODCs)

These are financial intermediaries, which incur as their primary activity liabilities in the form of deposits that are freely transferable on demand without penalty and freely usable as a means of payment. There are currently seven financial intermediaries classified as financial intermediaries in Namibia, i.e. First National Bank of Namibia, Standard Bank of Namibia, Nedbank Namibia and Bank Windhoek, Agribank of Namibia, National Housing Enterprise and the Namibia Post Office Savings Bank.

Deposit Rate

The deposit rate refers to the weighted average deposit rate of the ODC's i.e. the rate that ODC's declare on other deposits (eg. time deposits).

Dual-listed Companies

Refer to those companies listed and trading on a foreign stock exchange, such as the Johannesburg Stock Exchange as well as on the NSX.

Lending Rate

The lending rate refers to the weighted average lending rate, i.e. the rate charged by ODC's to borrowers.

Local Market

Only local (Namibian) companies listed on the NSX.

Market Capitalisation

The number of shares issued by a company times the latest share price.

Market Turnover

Volume of shares traded on the NSX times the latest share price.

Market Volume

The number of shares traded on the NSX.

Money Market Rate

The money market rate refers to the inter-bank rate; the rate at which ODC's extend credit to each other.

Mortgage Rate

The rate charged on a loan for the purpose of financing construction or purchasing of real estate.

Overall Market

Refers to all companies, local as well as foreign, listed on the NSX.

Prime Rate

The rate of interest charged by Namibian Other Depository Corporations (ODC's) for loans made to its most credit-worthy business and industrial customers; it is a benchmark that banks establish from time to time in computing an appropriate rate of interest for a particular loan contract.

Real Interest rate

The rate of interest adjusted to allow for inflation; the nominal interest rate less the expected rate of inflation for Namibia, is the real rate.

PUBLIC FINANCE

Budget proposal or estimates

A request presented by the executive to the legislature or legislating executive council for spending authority, accompanied by an estimate for expected revenue whose collection must also be authorised in some countries. The request may be subject to revision by the legislature, which can be unlimited or limited by such constitutional provisions as the requirement that revenue be increased to match any increase in the expenditure.

Budget year

The period of time for which a budget makes appropriations. Actual allocations, commitments, deliveries, and payments for particular budget's expenditure programs may extend well past the year in which they were originally appropriated. In some budgetary systems, assignments of such transactions to the budget of original appropriation may continue for years. In others, such assignment back to the original budget year may not exist or may be limited to a complementary period of relatively short duration. For purposes of this definition, government receipts and payments should be included in the time period in which they actually take place rather than being assigned to the budget year in which they were authorised.

Capital expenditure

Expenditure for acquisition of land, intangible assets, government stocks, and non-military, no financial assets, of more than a minimum value and to be used for more than one year in the process of production; also for capital grants. Capital expenditure is frequently separated (in some cases along with certain revenue) into a separate section or capital account of the budget or into an entirely separate budget for capital expenditure that is the capital budget. This separation may sometimes follow different criteria, however.

Capital grants

No repayable, unrequited transfers received by government from governments or international organisations for the purpose of financing the acquisition of no financial capital assets by the recipients, compensating the recipients for damage or destruction of capital assets, or increasing the financial capital of the recipients. The term grant is used to refer only to transfers between governments or international organisations.

Capital revenue

Proceeds from the sale of non-financial assets, including land intangible assets, stocks, and fixed capital assets of buildings, construction and equipment of more than a minimum value and usable for more than one year in the process of production, and receipts and unrequited transfers for capital purposes from non-governmental sources.

Central government

All government elements that are agencies or instruments of the central authority of a country whether covered in or financed through ordinary or extraordinary budgets or extra-budgetary funds. This includes funds at the central government level, decentralised agencies, departmental enterprises, social security funds operating at national level and relevant nonprofit institutions attached to the central authority and geographical extensions of central government authority that may operate at regional or local levels without the attributes necessary for existence as a separate government.

Current expenditure

Expenditure other than for capital transfers or the acquisition of land, intangible assets, government stocks, or non-military durable goods of greater value than a minimum amount and to be used in the process of production for more than a period of one year. Current expenditure is frequently separated (in many cases along with current revenue) into a separate section or current account of the budget or into an entirely separate budget for current expenditure, that is, the current budget.

Current revenue

All revenue from taxes and from no repayable or no repaying receipts other than grants, from the sale of land, intangible assets, government stocks, or fixed capital assets, or from capital transfers from non-governmental sources.

Debt

The outstanding stock of recognised, direct liabilities of the government to the rest of the economy and the world generated by government operations in the past and scheduled to be extinguished by government operations in the future or to continue as perpetual debt. This excludes intra-governmental or intergovernmental debt of the sub sector or sector of government being measured, currency issues and other monetary authorities debt, dormant or repudiated debt not being serviced, and any floating debt of unpaid obligations.

Deficit or surplus

The deficit or surplus is defined as revenue plus grants received less expenditure less lending minus repayments. The deficit or surplus is also equal, with an opposite sign, to the sum of net borrowing by the government, plus the net decrease in government cash, deposits, and securities held for liquidity purposes.

Expenditure

All no repayable and non-repaying payments by government, whether requited or unrequited and whether for current or capital purposes. Expenditure is shown net of recoveries on past expenditure and net of other adjustment transactions. It is otherwise shown gross with the exception of departmental enterprises' transactions, for which sales to the public are offset against corresponding operating expenditures.

Financing

The means by which a government provides financial resources to cover a budget deficit or allocates financial resources arising from a budget surplus. It includes all transactions involving government liabilities other than for currency issues or demand, time, or savings deposits with government or claims on others held by government for purposes of liquidity rather than public policy objectives, and changes in government holdings of cash and deposits.

Fiscal year

The regular annual budget and accounting period for which provision of revenue and expenditure is made, and for which accounts are presented, excluding any complementary period during which the books may be kept open after the beginning of the next fiscal period.

General government sector

The combination of all government units operating in a country, and hence constituting one of the five institutional sectors in a country's economy. The sub sectors that may comprise the general government sector are (1) central government; (2) state, provincial, or regional governments; (3) local governments including municipalities, school boards, etc.; and (4) any supranational authorities exercising tax and governmental expenditure functions within the national territory. Social security funds form a part of the level of government at which they operate. No financial public enterprises and public financial institutions do not from a part of general government.

Government

A generic term applying to all instrumentalities of the republic authorities of any territorial area or its parts, established through political processes, exercising a monopoly of compulsory powers within the territorial area or its parts, motivated by considerations of public purposes in the economic, social, and political spheres, and engaged primarily in the provision of public services differing in character, cost elements, and source of finance from the activities of other sectors. For the purpose of this definition, government embraces (1) the primary non-commercial functions of its various parts, agencies, and instrumentalities; (2) social security arrangements for large sections of the community imposed, controlled or financed by the government; (3) pension funds of government employees whose reserves are invested entirely with the employing government; (4) a limited range of unincorporated industrial activities encompassing either ancillary functions, that is, meeting internal government needs, or selling of the public, but on a smaller scale; (5) a limited range of financial bodies comprising lending bodies deriving all their funds from government and savings bodies automatically channelling to government the proceeds of liabilities to the public in forms other than demand, time, or savings deposits; (6) other nonprofit institutions serving households or business enterprises which are wholly, or mainly, financed and controlled by the public authorities or which primarily serve government bodies; (7) the operations within the country of any supranational authorities empowered to levy taxes in the territory of more than one country.

Grants

Unrequited, no repayable, non-compulsory payments between governments or international institutions. The term is sometimes also used to refer to transfers of this nature made by government to all types of recipients. In determination of the deficit/surplus, by this definition, grants are grouped with revenue and expenditure rather than with financing.

Revenue

All no repayable and non-repaying receipts, whether requited or unrequited, other than those non-compulsory, no repayable and no repaying, unrequited receipts which come from other governments, domestic or foreign and international institutions. Revenue is shown net of refunds and other adjustment transactions. Revenue is otherwise shown gross except for the proceeds of departmental enterprise sales to the public, which is netted against the corresponding operating expenditures.

8.2 STATISTICAL TABLES

I NATIONAL ACCOUNTS

II MONETARY AND FINANCIAL DEVELOPMENTS

III PUBLIC FINANCE

IV BALANCE OF PAYMENTS

Table I.I AGGREGATE ECONOMIC INDICATORS

	1999	2000	2001	2002	2003
Current Prices					
GDP (N$ milllion)	20684	23690	27686	31550	32309
% Change	10.1	14.5	16.9	14.0	2.4
GNI (N$ million)	20578	23920	27677	31935	34791
% Change	6.8	16.2	15.7	15.4	8.9
GDP per capita (N$)	11459	12723	14853	16510	16509
% Change	6.7	11.0	16.7	11.2	0.0
GNI per capita (N$)	11401	12846	14848	16711	17778
% Change	3.5	12.7	15.6	12.5	6.4
Constant 1995 Prices					
GDP (N$ million)	14591	15100	15462	15849	16441
% Change	3.4	3.5	2.4	2.5	3.7
GNI (N$ million)	15486	16606	17541	16955	17843
% Change	0.1	7.2	5.6	-3.3	5.2
GDP per capita (N$)	8083	8110	8295	8293	8401
% Change	0.2	0.3	2.3	0.0	1.3
GNI per capita (N$)	8579	8918	9410	8873	9118
% Change	-3.0	4.0	5.5	-5.7	2.8

Source: Central Bureau of Statistics

Table I.2 GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME

	1999	2000	2001	2002	2003
Current prices - N$ million					
Compensation of employees	8307	9352	10616	11815	13014
Consumption of fixed capital	2851	3103	3561	3994	4396
Net operating surplus	6912	9174	11015	12524	11567
Gross domestic product at factor cost	**18069**	**21629**	**25192**	**28333**	**28977**
Taxes on production and imports	2771	2671	3158	3771	3929
Subsidies	-156	-610	-663	-552	-597
Gross domestic product at market prices	**20684**	**23690**	**27686**	**31550**	**32309**
Primary incomes					
- receivable from the rest of the world	1129	1721	1704	1870	2923
- payable to rest of the world	-1235	-1491	-1714	-1485	-440
Gross national income at market prices	**20578**	**23920**	**27677**	**31935**	**34791**
Current transfers					
- receivable from the rest of the world	2906	3272	3297	3423	3932
- payable to rest of the world	-363	-262	-312	-312	-203
Gross national disposable income	**23120**	**26930**	**30661**	**35046**	**38520**
Current prices - N$ per capita					
Gross domestic product at market prices	11459	12723	14853	16510	16509
Gross national income at market prices	11401	12846	14848	16711	17778
Constant 1995 prices - N$ million					
Gross domestic product at market prices	**14591**	**15100**	**15462**	**15849**	**16441**
- Annual percentage change	3.4	3.5	2.4	2.5	3.7
Real gross national income	**15486**	**16606**	**17541**	**16955**	**17843**
- Annual percentage change	0.1	7.2	5.6	-3.3	5.2
Constant 1995 prices - N$ per capita					
Gross domestic product at market prices	**8083**	**8110**	**8295**	**8293**	**8401**
- Annual percentage change	0.2	0.3	2.3	0.0	1.3
Real gross national income	**8579**	**8918**	**9410**	**8873**	**9118**
- Annual percentage change	-3.0	4.0	5.5	-5.7	2.8

Source: Central Bureau of Statistics

Table I.3 NATIONAL DISPOSABLE INCOME AND SAVING

Current prices - N$ million	1999	2000	2001	2002	2003
Disposable income and saving					
Gross national disposable income	**23120**	**26930**	**30661**	**35046**	**38520**
Consumption of fixed capital	**2851**	**3103**	**3561**	**3994**	**4396**
Net national disposable income	**20269**	**23827**	**27100**	**31053**	**34124**
All other sectors	14009	17426	19879	22821	25253
General government	6261	6401	7221	8232	8871
Final consumption expenditure	**18509**	**21026**	**23949**	**25211**	**27329**
Private	12240	14196	16094	16569	18013
General government	6268	6830	7856	8641	9316
Saving, net	**1760**	**2801**	**3151**	**5842**	**6796**
All other sectors	1768	3230	3785	6252	7240
General government	**-8**	**-430**	**-634**	**-410**	**-444**
Financing of capital formation					
Saving, net	1760	2801	3151	5842	6796
Capital transfers receivable from abroad	137	93	45	48	50
Capital transfers payable to foreign countries	-2	-2	-2	-4	-6
Total	**1895**	**2892**	**3194**	**5887**	**6839**
Capital formation					
Gross fixed capital formation	4760	4460	6073	5892	7111
All other sectors	3784	3465	4969	4682	5879
General government	975	995	1104	1210	1232
Consumption of fixed capital	-2851	-3103	-3561	-3994	-4396
All other sectors	-2083	-2284	-2649	-2980	-3332
General government	-768	-819	-912	-1013	-1064
Changes in inventories	57	171	412	-471	233
Net lending (+) / Net borrowing(-)	-71	1364	270	4459	3891
All other sectors	219	1924	990	4641	4529
General government	-289	-560	-720	-182	-638
Discrepancy on GDP [1])	416	659	968	-2078	-9
Net lending/borrowing in external transactions	345	2023	1237	2382	3882
Total	**1895**	**2892**	**3194**	**5887**	**6839**

Source: Central Bureau of Statistics
[1]This is the discrepancy in Table 1.6

Table I.4 GROSS DOMESTIC PRODUCT BY ACTIVITY
Current Prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture and forestry	1101	1299	1137	1402	1496
*	5.3	5.5	4.1	4.4	4.6
Commercial	532	792	711	1021	1032
*	2.6	3.3	2.6	3.2	3.2
Subsistence	569	507	425	381	464
*	2.7	2.1	1.5	1.2	1.4
Fishing and fish processing on board	971	1044	1445	1608	1627
*	4.7	4.4	5.2	5.1	5.0
Mining and quarrying	1949	2610	3663	3945	2184
*	9.4	11.0	13.2	12.5	6.8
Diamond mining	1697	1934	2854	2887	1807
*	8.2	8.2	10.3	9.2	5.6
Other mining and quarrying	253	677	809	1058	377
*	1.2	2.9	2.9	3.4	1.2
Primary industries	**4021**	**4953**	**6244**	**6955**	**5307**
*	19.4	20.9	22.6	22.0	16.4
Manufacturing	2074	2371	2604	3187	3537
*	10.0	10.0	9.4	10.1	10.9
Meat processing	139	121	142	143	147
*	0.7	0.5	0.5	0.5	0.5
Fish processing on shore	451	548	494	703	899
*	2.2	2.3	1.8	2.2	2.8
Manufacture of other food products and beverages	1014	1090	1215	1515	1599
*	4.9	4.6	4.4	4.8	4.9
Other manufacturing	470	612	753	826	892
*	2.3	2.6	2.7	2.6	2.8
Electricity and water	541	605	620	854	766
*	2.6	2.6	2.2	2.7	2.4
Construction	483	473	789	588	880
*	2.3	2.0	2.8	1.9	2.7
Secondary industries	**3097**	**3448**	**4013**	**4629**	**5183**
*	15.0	14.6	14.5	14.7	16.0
Wholesale and retail trade, repairs	1857	2682	3004	3330	3691
*	9.0	11.3	10.8	10.6	11.4
Hotels and restaurants	344	403	477	576	648
*	1.7	1.7	1.7	1.8	2.0
Transport, and communication	1226	1383	1533	2055	2301
*	5.9	5.8	5.5	6.5	7.1
Transport and storage	787	877	975	1266	1379
*	3.8	3.7	3.5	4.0	4.3
Post and telecommunications	439	506	558	789	922
*	2.1	2.1	2.0	2.5	2.9
Financial intermediation	739	833	964	1088	1194
*	3.6	3.5	3.5	3.4	3.7
Real estate and business services	2023	2235	2497	2639	2944
*	9.8	9.4	9.0	8.4	9.1
Owner-occupied dwellings	1070	1194	1317	1427	1568
*	5.2	5.0	4.8	4.5	4.9
Other real estate and business services	953	1041	1180	1212	1375
*	4.6	4.4	4.3	3.8	4.3
Community, social and personal services	171	201	216	244	267
*	0.8	0.8	0.8	0.8	0.8
Producers of government services	4620	5071	5810	6494	7104
*	22.3	21.4	21.0	20.6	22.0
Other producers	392	437	487	555	608
*	1.9	1.8	1.8	1.8	1.9
Tertiary industries	**11371**	**13244**	**14989**	**16981**	**18756**
*	55.0	55.9	54.1	53.8	58.1
Less: Financial services indirectly measured	259	273	330	359	419
*	1.3	1.2	1.2	1.1	1.3
All industries at basic prices	**18231**	**21372**	**24916**	**28206**	**28828**
*	88.1	90.2	90.0	89.4	89.2
Taxes less subsidies on products	**2453**	**2318**	**2771**	**3344**	**3481**
*	11.9	9.8	10.0	10.6	10.8
GDP at market prices	**20684**	**23690**	**27686**	**31550**	**32309**
*	100	100	100	100	100

Source: Central Bureau of Statistics
* Percentage contributions to GDP

Table I.5 GROSS DOMESTIC PRODUCT BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture and forestry	1009	1056	899	856	880
*	10.9	4.7	-14.9	-4.8	2.8
Commercial	495	648	589	601	623
*	1.2	31.9	-9.1	2.0	3.6
Subsistence	514	408	310	254	257
*	22.4	-20.6	-24.0	-17.5	0.9
Fishing and fish processing on board	559	641	631	703	729
*	-1.4	14.5	-1.5	11.4	3.8
Mining and quarrying	1210	1190	1117	1160	1107
*	8.4	-1.7	-6.1	3.9	-4.6
Diamond mining	908	847	803	838	800
*	14.5	-6.7	-5.1	4.4	-4.6
Other mining and quarrying	303	343	314	322	308
*	-6.5	13.3	-8.5	2.6	-4.5
Primary industries	**2779**	**2887**	**2647**	**2719**	**2716**
*	7.2	3.9	-8.3	2.7	-0.1
Manufacturing	1515	1570	1657	1739	1831
*	-3.7	3.6	5.5	5.0	5.3
Meat processing	111	101	107	109	101
*	12.6	-9.7	6.4	2.1	-7.3
Fish processing on shore	281	241	204	183	278
*	-21.1	-14.2	-15.3	-10.1	51.5
Manufacture of other food products and beverages	759	774	808	875	844
*	4.7	1.9	4.4	8.3	-3.6
Other manufacturing	364	455	538	571	608
*	-7.5	24.9	18.3	6.2	6.4
Electricity and water	268	299	228	230	255
*	20.2	11.5	-23.8	1.1	10.7
Construction	364	344	527	373	547
*	-13.9	-5.4	53.1	-29.2	46.6
Secondary industries	**2148**	**2214**	**2412**	**2343**	**2633**
*	-3.2	3.1	9.0	-2.9	12.4
Wholesale and retail trade, repairs	1380	1455	1496	1541	1580
*	3.3	5.4	2.8	3.0	2.5
Hotels and restaurants	251	269	292	316	332
*	-11.9	7.2	8.4	8.4	5.1
Transport, and communication	968	1049	1196	1315	1385
*	12.3	8.4	13.9	10.0	5.3
Transport and storage	631	671	725	824	777
*	18.4	6.3	8.1	13.6	-5.7
Post and telecommunications	337	379	471	491	608
*	2.3	12.4	24.3	4.4	23.8
Financial intermediation	461	489	498	514	522
*	2.3	6.2	1.7	3.3	1.6
Real estate and business services	1319	1338	1393	1381	1453
*	3.7	1.5	4.1	-0.9	5.2
Owner-occupied dwellings	677	694	711	729	747
*	2.5	2.5	2.5	2.5	2.5
Other real estate and business services	642	645	682	652	706
*	4.9	0.4	5.8	-4.4	8.3
Community, social and personal services	122	133	133	137	146
*	0.3	8.7	0.2	2.9	6.5
Producers of government services	3162	3236	3281	3380	3456
*	3.4	2.3	1.4	3.0	2.3
Other producers	286	292	298	305	311
*	2.0	2.0	2.2	2.2	2.2
Tertiary industries	**7950**	**8262**	**8586**	**8890**	**9186**
*	3.7	3.9	3.9	3.5	3.3
Less: Financial secvices indirectly measured	152	151	158	155	168
*	5.6	-0.7	4.6	-1.9	8.4
All industries at basic prices	**12724**	**13211**	**13488**	**13797**	**14368**
*	3.3	3.8	2.1	2.3	4.1
Taxes less subsidies on products	**1866**	**1889**	**1974**	**2052**	**2073**
*	4.9	1.2	4.5	3.9	1.0
GDP at market prices	**14591**	**15100**	**15462**	**15849**	**16441**
*	3.4	3.5	2.4	2.5	3.7

Source: Central Bureau of Statistics
* Percentage contributions to GDP

Table I.6 EXPENDITURE ON GROSS DOMESTIC PRODUCT
Current Prices - N$ Million

Expenditure category	1999	2000	2001	2002	2003
Final consumption expenditure	18509	21026	23949	25211	27329
Private	12240	14196	16094	16569	18013
General government	6268	6830	7856	8641	9316
Gross fixed capital formation	4760	4460	6073	5892	7111
Changes in inventories[1]	57	171	412	-471	233
Gross domestic expenditure	**23326**	**25657**	**30434**	**30632**	**34673**
Exports of goods and services	9548	10811	12446	14660	12715
Imports of goods and services	11773	12119	14226	15819	15088
Discrepancy	-416	-659	-968	2078	9
Gross domestic product at market prices	**20684**	**23690**	**27686**	**31550**	**32309**

Source: Central Bureau of Statistics
[1]Change in inventories include only livestock, ores and minerals. Thus, the discrepancy includes an element of changes inventories.

Table I.7 EXPENDITURE ON GROSS DOMESTIC PRODUCT
Constant 1995 Prices - N$ Million

Expenditure category	1999	2000	2001	2002	2003
Final consumption expenditure	13396	13973	14429	13894	14381
Private	8983	9505	9827	9238	9661
General government	4413	4469	4601	4656	4720
Gross fixed capital formation	3713	3379	4295	4074	4832
Changes in inventories[1]	57	171	412	-471	233
Gross domestic expenditure	**17166**	**17523**	**19135**	**17497**	**19446**
Exports of goods and services	6520	6465	6331	7603	7253
Imports of goods and services	9240	8759	9619	9157	8629
Discrepancy	144	-129	-385	-95	-1629
Gross domestic product at market prices	**14591**	**15100**	**15462**	**15849**	**16441**

Source: Central Bureau of Statistics
[1]Change in changes in inventories and discrepancy as a percentage of GDP of the previous year.

Table I.8 GROSS FIXED CAPITAL FORMATION BY ACTIVITY
Current prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture	252	268	299	326	353
Fishing	151	160	238	249	262
Mining and quarrying	662	828	958	874	1376
Manufacturing	307	387	464	557	668
Electricity and water	451	136	1217	285	752
Construction	163	156	176	205	241
Wholesale and retail trade; hotels, restaurants	153	224	307	281	250
Transport, and communication	1123	687	606	1120	1206
Finance, real estate, business services	539	644	728	801	785
Community, social and personal services	24	17	20	28	32
Producers of government services	935	952	1059	1165	1187
Total	**4760**	**4460**	**6073**	**5892**	**7111**

Source: Central Bureau of Statistics

Table I.9 GROSS FIXED CAPITAL FORMATION BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture	200	209	219	230	244
Fishing	121	124	172	187	178
Mining and quarrying	536	656	697	638	944
Manufacturing	244	296	333	385	459
Electricity and water	339	99	848	186	491
Construction	131	124	132	149	171
Wholesale and retail trade; hotels, restaurants	121	171	218	194	173
Transport, and communication	865	506	420	803	854
Finance, real estate, business services	419	479	509	526	512
Community, social and personal services	19	13	15	21	23
Producers of government services	718	700	731	755	765
Total	**3713**	**3379**	**4295**	**4074**	**4815**

Source: Central Bureau of Statistics

Table I.10 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET
Current Prices - N$ Million

Type of Asset	1999	2000	2001	2002	2003
Buildings	1200	1392	1639	1782	1827
Construction works	965	882	1600	903	1596
Transport equipment	1439	702	903	1622	1719
Machinery and other equipment	980	1318	1682	1439	1704
Mineral exploration	175	167	249	146	264
Total	**4760**	**4460**	**6073**	**5892**	**7111**

Source: Central Bureau of Statistics

Table I.11 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET
Constant 1995 Prices - N$ Million

Type of Asset	1999	2000	2001	2002	2003
Buildings	931	1033	1143	1166	1188
Construction works	710	618	1054	543	952
Transport equipment	1115	517	614	1166	1223
Machinery and other equipment	818	1087	1313	1102	1295
Mineral exploration	139	124	171	97	174
Total	**3713**	**3379**	**4295**	**4074**	**4832**

Source: Central Bureau of Statistics

Table I.12 GROSS FIXED CAPITAL FORMATION BY OWNERSHIP
Current prices - N$ Million

Ownership	1999	2000	2001	2002	2003
Public	2270	1451	2417	2174	2736
Producers of government services	935	952	1059	1165	1187
Public corporations and enterprises	1335	499	1358	1010	1549
Private	2490	3008	3656	3718	4375
Total	**4760**	**4460**	**6073**	**5892**	**7111**

Source: Central Bureau of Statistics

Table I.13 GROSS FIXED CAPITAL FORMATION BY OWNERSHIP
Constant 1995 Prices - N$ Million

Ownership	1999	2000	2001	2002	2003
Public	1738	1067	1677	1473	1832
Producers of government services	718	700	731	755	765
Public corporations and enterprises	1021	367	946	718	1067
Private	1975	2312	2617	2601	3000
Total	**3713**	**3379**	**4295**	**4074**	**4832**

Source: Central Bureau of Statistics

Table I.14 FIXED CAPITAL STOCK BY ACTIVITY
Current Prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture	4151	4322	4626	5077	5482
Fishing	782	917	1163	1306	1500
Mining and quarrying	4960	5562	6399	6460	7154
Manufacturing	2344	2602	2981	3398	3741
Electricity and water	3756	3919	5167	5615	6121
Construction	689	693	729	757	797
Wholesale and retail trade; hotels, restaurants	1926	2045	2269	2429	2429
Transport, and communication	5712	6168	6677	7536	7987
Finance, real estate, business services	8115	8866	9866	10980	11494
Community, social and personal services	375	384	403	424	431
Producers of government services	25509	26881	28752	31247	31564
Total	**58317**	**62358**	**69033**	**75228**	**78699**

Source: Central Bureau of Statistics

Table I.15 FIXED CAPITAL STOCK BY ACTIVITY
Constant 1995 Prices - N$ Million

Industry	1999	2000	2001	2002	2003
Agriculture	3121	3143	3163	3181	3198
Fishing	627	714	843	979	1117
Mining and quarrying	3863	4106	4361	4532	4975
Manufacturing	1840	1960	2108	2281	2494
Electricity and water	2789	2773	3465	3487	3789
Construction	553	550	544	545	564
Wholesale and retail trade; hotels, restaurants	1502	1530	1593	1617	1608
Transport, and communication	4275	4441	4500	4854	5168
Finance, real estate, business services	6300	6581	6883	7193	7480
Community, social and personal services	293	289	286	287	291
Producers of government services	19149	19246	19346	19440	19512
Total	**44310**	**45334**	**47093**	**48397**	**50195**

Source: Central Bureau of Statistics

Table I.16(a) INTERIM CONSUMER PRICE INDEX (DECEMBER 1992 = 100)

	All Items	Food	Housing, Fuel & Power	T/port & Communication	Household Goods, etc	Clothing & Footwear	Beverage & Tobacco	Recreation etc.	Medical Health Care	Misc. Goods etc.	Inflation* (%) Annual
Weight	**100.00**	**28.36**	**19.94**	**20.67**	**10.22**	**4.33**	**4.10**	**4.14**	**1.35**	**6.88**	**100.00**
1999	**173.39**	**160.88**	**185.63**	**163.76**	**136.57**	**176.95**	**241.71**	**207.24**	**200.01**	**204.55**	**8.59**
2000	**189.46**	**172.01**	**202.07**	**191.79**	**145.59**	**183.90**	**267.03**	**226.98**	**221.55**	**211.43**	**9.25**
2001	**207.01**	**191.71**	**217.67**	**216.05**	**151.67**	**196.08**	**290.26**	**234.43**	**242.28**	**228.13**	**9.30**
2002	**230.50**	**229.17**	**231.00**	**241.92**	**163.19**	**208.80**	**313.98**	**252.20**	**254.93**	**246.24**	**11.31**
2003											
Jan	244.83	254.50	239.87	256.01	168.49	215.05	314.24	276.87	269.86	252.37	12.83
Feb	243.62	249.35	239.79	256.35	169.04	215.16	314.11	277.06	269.05	254.47	11.75
Mar	244.02	247.40	245.42	254.57	168.72	199.86	326.93	276.96	269.78	259.64	9.77
Q1	**244.16**	**250.42**	**241.69**	**255.64**	**168.75**	**210.02**	**318.43**	**276.96**	**269.56**	**255.49**	**11.45**
Apr	243.41	243.34	245.43	252.06	170.69	204.40	338.65	278.10	270.74	261.48	8.12
May	245.76	245.69	245.42	252.08	171.43	201.75	342.04	279.59	270.69	283.48	8.39
Jun	248.21	247.38	245.96	257.17	172.49	204.31	350.23	279.04	269.97	287.77	8.46
Q2	**245.79**	**245.47**	**245.60**	**253.77**	**171.54**	**203.49**	**343.64**	**278.91**	**270.47**	**277.58**	**8.32**
Jul	248.98	245.28	252.11	255.16	172.58	205.05	355.18	279.69	270.33	291.72	7.09
Aug	248.71	244.52	252.11	255.15	172.49	204.48	352.24	280.51	274.47	291.94	6.70
Sep	249.31	245.05	251.40	257.06	171.55	202.52	355.44	280.59	275.18	295.27	5.02
Q3	**249.00**	**244.95**	**251.87**	**255.79**	**172.21**	**204.02**	**354.29**	**280.26**	**273.33**	**292.98**	**6.27**
Oct	248.69	247.95	251.31	251.00	171.85	200.43	355.35	278.31	276.00	294.93	3.85
Nov	250.22	253.58	251.40	251.00	171.97	199.74	354.68	278.53	276.00	294.32	3.59
Dec	248.98	250.03	251.36	250.93	170.52	199.36	355.19	278.33	276.38	293.40	2.05
Q4	**249.30**	**250.52**	**251.36**	**250.98**	**171.45**	**199.84**	**355.07**	**278.39**	**276.13**	**294.22**	**3.16**
Annual	**247.06**	**247.84**	**247.63**	**254.05**	**170.99**	**204.34**	**342.86**	**278.63**	**272.37**	**280.07**	**7.30**
2004											
Jan	250.68	250.92	251.36	249.32	171.31	199.35	355.43	300.58	301.50	299.52	2.39
Feb	251.72	251.88	251.36	249.24	171.47	206.03	362.71	298.87	301.82	303.12	3.32
Mar	253.29	254.58	254.66	249.51	170.21	202.97	371.06	300.22	302.00	302.40	3.80
Q1	**251.90**	**252.46**	**252.46**	**249.36**	**171.00**	**202.78**	**363.07**	**299.89**	**301.77**	**301.68**	**3.17**
Apr	253.37	252.07	254.84	253.53	170.90	204.62	369.66	299.65	301.72	300.54	4.09
May	253.74	252.44	254.87	252.45	171.77	210.09	372.20	299.75	302.24	301.19	3.25
Jun	253.74	251.03	254.44	253.17	172.16	210.87	373.25	297.02	301.74	306.02	2.23
Q2	**253.62**	**251.85**	**254.72**	**253.05**	**171.61**	**208.53**	**371.70**	**298.81**	**301.90**	**302.58**	**3.19**
Jul	258.10	250.53	270.18	258.87	171.84	210.87	373.84	299.63	302.11	305.35	3.68
Aug	259.21	252.54	271.05	258.87	172.29	212.43	374.46	300.10	301.92	310.23	4.22
Sep	259.53	251.69	271.97	259.03	172.30	214.87	376.40	301.34	305.81	311.10	4.10
Q3	**258.90**	**251.59**	**271.07**	**258.92**	**172.14**	**212.72**	**374.90**	**300.36**	**303.28**	**308.89**	**3.98**
Oct	260.83	256.20	271.90	258.97	171.67	214.41	379.28	301.73	305.35	311.18	4.88
Nov	262.68	255.59	272.53	267.60	172.61	214.93	384.42	301.68	305.35	308.05	4.98
Dec	264.03	256.00	271.28	272.87	174.83	219.44	381.35	304.70	310.95	306.47	6.04
Q4	**262.51**	**255.93**	**271.90**	**266.48**	**173.04**	**216.26**	**381.68**	**302.70**	**307.22**	**308.57**	**5.30**
Annual	**256.74**	**252.96**	**262.54**	**256.95**	**171.95**	**210.07**	**372.84**	**300.44**	**303.54**	**305.43**	**3.91**

*Calculated as a percentage change of the all items index for a given month in relation to that of the same month of the preceding year.
Source: Central Bureau of Statistics

Table I.16(b) INTERIM CONSUMER PRICE INDEX

This table classifies goods and services in the index by source: imported tradeables referes to imported goods, domestic tradeables refers to domestic goods.

	Monthly Index					Annual Inflation Rate (%)*				
	Domestic			Imported	All	Domestic			Imported	All
	Non Tradeables	Tradeables	Total	Tradeables	Items	Non Tradeables	Tradeables	Total	Tradeables	Items
Weight	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**	**32.00**	**20.11**	**52.11**	**47.89**	**100.00**
1999	**185.54**	**162.05**	**176.47**	**170.04**	**173.39**	**9.06**	**4.22**	**7.28**	**10.10**	**8.58**
2000	**199.04**	**174.98**	**189.82**	**189.13**	**189.46**	**7.26**	**7.94**	**7.54**	**11.23**	**9.25**
2001	**213.44**	**200.38**	**208.40**	**205.65**	**207.02**	**7.29**	**14.54**	**9.81**	**8.68**	**9.30**
2002	**225.29**	**239.02**	**230.59**	**230.40**	**230.50**	**5.54**	**19.15**	**10.61**	**12.08**	**11.31**
2003										
Jan	234.11	269.40	247.73	241.68	244.83	6.96	25.01	13.86	11.71	12.83
Feb	234.12	262.25	244.98	242.15	243.62	6.62	20.00	11.77	11.73	11.75
Mar	238.57	258.76	246.36	241.47	244.02	8.41	15.04	11.00	8.44	9.78
Q1	**235.60**	**263.47**	**246.36**	**241.77**	**244.16**	**7.33**	**20.02**	**12.21**	**10.63**	**11.45**
Apr	239.20	251.48	243.94	242.85	243.42	8.48	9.49	8.88	7.31	8.13
May	243.74	253.69	247.58	243.78	245.76	10.54	8.83	9.86	6.82	8.40
Jun	245.14	255.80	249.25	247.08	248.21	9.69	9.57	9.64	7.18	8.46
Q2	**242.69**	**253.66**	**245.92**	**244.57**	**245.81**	**9.57**	**9.30**	**9.46**	**7.10**	**8.33**
Jul	249.00	253.37	250.69	247.12	248.98	8.55	6.26	7.65	6.48	7.09
Aug	249.00	254.34	251.06	246.16	248.71	8.55	6.88	7.89	5.40	6.70
Sep	247.58	259.67	252.25	246.11	249.31	7.69	5.38	6.76	3.14	5.02
Q3	**248.53**	**255.79**	**251.33**	**246.46**	**249.00**	**8.26**	**6.17**	**7.43**	**5.01**	**6.27**
Oct	247.61	258.97	251.99	245.09	248.69	7.56	1.41	5.04	2.55	3.85
Nov	247.60	267.10	255.13	244.89	250.22	7.56	0.39	4.54	2.54	3.59
Dec	247.10	266.08	254.43	243.07	248.99	6.76	-0.99	3.49	0.45	2.05
Q4	**247.44**	**264.05**	**253.85**	**244.35**	**249.30**	**7.29**	**0.27**	**4.36**	**1.85**	**3.16**
Annual	**243.56**	**259.24**	**249.62**	**244.29**	**247.06**	**8.11**	**8.94**	**8.37**	**6.15**	**7.30**
2004										
Jan	251.90	264.98	256.95	243.86	250.68	7.60	-1.64	3.72	0.90	2.39
Feb	252.79	266.30	258.00	244.88	251.72	7.97	1.54	5.32	1.13	3.32
Mar	254.97	265.91	259.19	246.87	253.29	6.87	2.76	5.21	2.24	3.80
Q1	**253.22**	**265.73**	**258.05**	**245.20**	**251.90**	**7.48**	**0.89**	**4.75**	**1.42**	**3.17**
Apr	254.58	266.58	259.21	247.02	253.37	6.43	6.00	6.26	1.72	4.09
May	254.59	265.83	258.93	248.11	253.75	4.45	4.79	4.58	1.78	3.25
Jun	255.95	265.58	259.67	247.29	253.74	4.41	3.82	4.18	0.08	2.23
Q2	**255.04**	**266.00**	**259.27**	**247.47**	**253.62**	**5.10**	**4.87**	**5.01**	**1.19**	**3.19**
Jul	265.93	267.07	266.37	248.84	257.97	6.80	5.41	6.26	0.70	3.61
Aug	266.64	271.40	268.48	249.12	259.21	7.08	6.71	6.94	1.20	4.22
Sep	266.80	271.66	268.68	249.58	259.53	7.76	4.62	6.51	1.41	4.10
Q3	**266.46**	**270.04**	**267.84**	**249.18**	**258.90**	**7.21**	**5.58**	**6.57**	**1.10**	**3.98**
Oct	266.78	275.50	270.15	250.70	260.83	7.74	6.38	7.20	2.29	4.88
Nov	272.26	274.94	273.29	251.14	262.68	9.96	2.94	7.12	2.55	4.98
Dec	271.79	276.96	273.79	253.42	264.03	9.99	4.09	7.61	4.26	6.04
Q4	**270.28**	**275.80**	**272.41**	**251.75**	**262.51**	**9.23**	**4.47**	**7.31**	**3.03**	**5.30**
Annual	**261.25**	**269.39**	**264.39**	**248.40**	**256.73**	**7.26**	**3.95**	**5.91**	**1.69**	**3.91**

*Calculated as a percentage change of the all items index for a given month in relation to that of the same month of the preceding year.
Source: Central Bureau of Statistics

Table II.1(a) CENTRAL BANK SURVEY
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	**3095.1**	**2595.4**	**2187.8**	**2272.5**	**2113.4**	**2165.8**	**2129.6**	**1891.0**	**2181.2**	**2467.9**	**2091.0**	**2110.3**
Claims on nonresidents	3113.3	2608.4	2194.4	2294.7	2121.6	2183.9	2144.5	1909.4	2189.8	2484.0	2100.0	2117.2
Monetary gold and SDR holdings	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Foreign currency	33.9	38.8	26.8	25.0	21.7	23.8	37.1	25.0	32.8	27.0	12.5	13.4
Deposits	3048.7	2538.3	2165.4	2268.3	2052.9	2158.3	1816.9	1694.6	1968.2	2358.9	2039.3	2055.4
Securities other than shares	30.0	30.0	0.0	0.0	45.5	0.0	285.0	187.6	187.6	97.6	47.6	47.6
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	1.1	2.1	1.1	1.2	1.6	5.4	2.1	1.0	0.3	0.5	0.6
less: Liabilities to nonresidents	-18.2	-13.0	-6.6	-22.2	-8.3	-18.1	-14.9	-18.5	-8.7	-16.1	-9.0	-6.9
Deposits	-17.6	-12.4	-6.1	-21.7	-7.7	-17.6	-14.4	-18.0	-8.7	-15.3	-9.0	-5.2
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	0.0	-0.9	0.0	-1.7
Claims on other depository corporations	**56.1**	**57.3**	**76.3**	**58.3**	**58.9**	**59.1**	**59.3**	**77.4**	**78.1**	**78.2**	**94.8**	**95.3**
Net claims on central government	**-1337.3**	**-879.5**	**-609.1**	**-673.9**	**-354.5**	**-575.4**	**-402.6**	**-310.7**	**-593.7**	**-880.9**	**-446.9**	**-430.1**
Claims on central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less: Liabilities to central government	**-1337.3**	**-879.5**	**-609.1**	**-673.9**	**-354.5**	**-575.4**	**-402.6**	**-310.7**	**-593.7**	**-880.9**	**-446.9**	**-430.1**
Deposits	-1337.3	-879.5	-609.1	-673.9	-354.5	-575.4	-402.6	-310.7	-593.7	-880.9	-446.9	-430.1
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on other sectors	**17.1**	**17.4**	**18.2**	**18.4**	**18.6**	**18.6**	**18.8**	**19.3**	**20.4**	**20.1**	**19.5**	**19.0**
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State and local government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public nonfinancial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other nonfinancial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other resident sectors	17.1	17.4	18.2	18.4	18.6	18.6	18.8	19.3	20.4	20.1	19.5	19.0

Table II.1(a) CENTRAL BANK SURVEY (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	2710.9	1935.4	1824.1	2395.6	1860.4	1783.2	1984.6	1989.9	1808.2	2207.6	1987.9	1977.3
Claims on nonresidents	2723.8	2027.0	1840.4	2411.5	1873.0	1802.2	2011.7	2012.6	1823.6	2217.2	2000.2	1985.7
Monetary gold and SDR holdings	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Foreign currency	27.5	35.7	28.1	67.0	22.2	69.3	63.1	97.2	11.5	55.2	26.0	47.2
Deposits	2642.1	1940.5	1701.4	2343.2	1849.2	1739.3	1948.2	1914.9	1784.8	2131.7	1940.8	1902.1
Securities other than shares	49.1	49.1	109.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	5.0	1.6	1.7	1.1	1.4	-6.6	0.1	0.4	27.1	30.1	33.2	36.2
less: Liabilities to nonresidents	-13.0	-91.6	-16.3	-15.9	-12.6	-19.0	-27.0	-22.8	-15.4	-9.6	-12.3	-8.4
Deposits	-12.9	-91.6	-16.3	-15.5	-12.6	-19.0	-27.0	-22.8	-15.4	-9.6	-12.3	-8.4
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Claims on other depository corporations	95.6	83.1	96.8	97.0	97.7	113.1	98.7	149.4	163.1	122.5	187.9	238.7
Net claims on central government	-968.1	-398.2	-224.7	-768.4	-374.4	-336.3	-716.2	-727.5	-607.2	-992.9	-890.7	-889.7
Claims on central government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less: Liabilities to central government	-968.1	-398.2	-224.7	-768.4	-374.4	-336.3	-716.2	-727.5	-607.2	-992.9	-890.7	-889.7
Deposits	-968.1	-398.2	-224.7	-768.4	-374.4	-336.3	-716.2	-727.5	-607.2	-992.9	-890.7	-889.7
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on other sectors	18.3	14.5	15.0	14.8	14.6	13.9	13.9	13.8	13.1	13.5	13.5	13.6
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State and local government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public nonfinancial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other nonfinancial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other resident sectors	18.3	14.5	15.0	14.8	14.6	13.9	13.9	13.8	13.1	13.5	13.5	13.6

Table II.1(b) CENTRAL BANK SURVEY
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monetary base	**928.3**	**1045.4**	**940.3**	**1036.9**	**987.0**	**926.7**	**1098.0**	**1020.5**	**1039.8**	**1064.1**	**1206.8**	**1172.9**
Currency in circulation	726.8	716.3	770.1	786.4	778.0	756.0	775.9	805.0	791.8	798.6	844.0	918.9
Liabilities to other depository corporations	**201.5**	**329.1**	**170.2**	**250.5**	**209.0**	**170.7**	**322.1**	**215.5**	**248.0**	**265.5**	**362.8**	**254.0**
Reserve deposits	156.4	152.8	160.9	162.2	162.6	163.9	166.0	170.0	171.2	165.6	199.3	168.3
Other liabilities	45.0	176.3	9.3	88.2	46.3	6.9	156.2	45.5	76.8	99.8	163.4	85.7
Deposits included in broad money	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Transferable deposits	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other deposits	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securities other than shares, included in broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deposits excluded from broad money	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, excluded from broad money	0.0	0.0	0.0	78.0	78.0	78.0	43.6	43.6	43.6	43.6	43.6	43.6
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	**5.2**	**5.5**	**5.6**	**4.3**	**8.9**	**4.3**	**4.4**	**5.6**	**4.7**	**2.6**	**3.3**	**9.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	**1077.7**	**919.8**	**911.9**	**734.2**	**940.0**	**835.9**	**833.6**	**789.2**	**769.6**	**747.6**	**672.8**	**743.4**
Funds contributed by owners	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Retained earnings	17.5	17.5	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and special reserves	243.4	243.4	243.4	256.2	256.2	256.2	256.2	256.2	256.2	256.2	256.2	256.2
SDR allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation adjustment	772.3	616.2	609.2	437.4	641.2	533.5	521.8	484.9	470.4	444.7	368.9	444.6
Current year result	4.4	2.6	1.0	0.6	2.6	6.2	15.6	8.1	2.9	6.7	7.7	2.6
Other items (net)	**-180.2**	**-179.9**	**-184.6**	**-178.1**	**-177.5**	**-176.8**	**-174.5**	**-175.8**	**-171.8**	**-172.5**	**-168.1**	**-174.3**
Other liabilities	3.7	3.7	2.9	2.8	2.8	2.8	2.8	2.7	3.1	2.6	3.7	2.9
less: Other assets	-183.9	-183.6	-187.5	-181.0	-180.3	-179.6	-177.3	-178.5	-174.8	-175.1	-171.7	-177.1

Table II.1(b) CENTRAL BANK SURVEY (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monetary base	**1140.4**	**1015.4**	**1160.7**	**1134.8**	**1066.8**	**1073.2**	**1070.1**	**1152.3**	**1160.2**	**1187.5**	**1185.8**	**1238.6**
Currency in circulation	786.7	772.3	813.3	831.0	839.7	852.1	837.9	895.7	881.0	858.8	959.2	945.8
Liabilities to other depository corporations	**353.7**	**243.0**	**347.4**	**303.8**	**227.2**	**221.1**	**232.3**	**256.6**	**279.2**	**328.6**	**226.6**	**292.9**
Reserve deposits	175.5	173.0	176.2	176.0	179.4	205.1	232.3	256.6	279.2	328.6	226.6	292.9
Other liabilities	178.2	70.0	171.3	127.8	47.8	16.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits included in broad money	**0.0**	**0.1**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Transferable deposits	**0.0**	**0.1**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other deposits	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securities other than shares, included in broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deposits excluded from broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securities other than shares, excluded from broad money	**43.6**	**43.6**	**43.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	**8.0**	**9.3**	**6.5**	**4.5**	**3.5**	**2.2**	**1.8**	**4.0**	**3.0**	**3.0**	**4.0**	**7.8**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	**832.7**	**733.7**	**664.4**	**763.8**	**690.5**	**660.6**	**631.7**	**703.0**	**692.8**	**650.1**	**627.2**	**611.2**
Funds contributed by owners	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Retained earnings	2.7	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and special reserves	256.2	252.3	254.8	254.8	254.8	254.8	254.8	254.8	254.8	254.8	254.8	244.3
SDR allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation adjustment	531.7	436.5	365.9	469.7	410.4	379.4	351.5	424.2	388.6	339.3	317.1	312.2
Current year result	2.1	1.3	3.8	-0.7	-14.6	-13.5	-14.5	-16.0	9.5	16.0	15.4	14.7
Other items (net)	**-168.0**	**-167.2**	**-164.1**	**-164.2**	**-162.7**	**-162.1**	**-322.7**	**-433.6**	**-478.7**	**-489.9**	**-518.4**	**-517.7**
Other liabilities	3.0	2.8	2.8	2.8	2.8	2.9	2.7	2.4	2.5	2.5	2.4	15.7
less: Other assets	-171.1	-170.0	-166.9	-167.0	-165.5	-164.9	-325.4	-436.0	-481.2	-492.4	-520.8	-533.4

Table II.2(a) OTHER DEPOSITORY CORPORATIONS SURVEY
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	**-566.1**	**-127.3**	**-745.2**	**-786.0**	**-688.2**	**-1124.6**	**-114.9**	**-542.3**	**-751.0**	**-670.8**	**-699.4**	**-850.7**
Claims on nonresidents	**1804.6**	**2026.0**	**1779.5**	**1688.6**	**1830.2**	**1963.6**	**2848.5**	**2263.2**	**2198.2**	**2218.8**	**1966.7**	**1522.1**
Foreign currency	62.3	64.8	56.2	46.6	50.5	49.8	46.2	58.3	45.8	57.7	44.1	60.4
Deposits	1265.8	1491.0	1276.9	1208.9	1342.9	1505.7	2394.2	1796.8	1726.2	1735.9	1497.2	1035.6
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	476.6	470.2	446.4	433.0	436.8	408.1	408.1	408.1	426.2	425.2	425.5	426.1
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less: Liabilities to nonresidents	**-2370.8**	**-2153.3**	**-2524.8**	**-2474.6**	**-2518.5**	**-3088.2**	**-2963.4**	**-2805.6**	**-2949.2**	**-2889.6**	**-2666.1**	**-2372.8**
Deposits	-464.4	-277.1	-512.9	-502.0	-491.8	-709.9	-843.8	-841.8	-949.7	-991.1	-984.1	-1103.0
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-1906.4	-1876.3	-2011.9	-1972.5	-2026.6	-2378.4	-2119.7	-1963.8	-1999.6	-1898.5	-1682.0	-1269.7
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on central bank	**388.0**	**439.1**	**370.9**	**468.0**	**429.5**	**356.3**	**542.0**	**414.3**	**473.2**	**469.2**	**570.2**	**588.9**
Currency	197.1	169.3	216.1	226.5	211.6	201.0	216.8	196.2	222.2	203.4	206.4	334.3
Reserve deposits	190.9	269.9	154.9	241.5	217.9	147.0	167.6	171.6	172.8	165.6	199.3	168.3
Other claims	0.0	0.0	0.0	0.0	0.0	8.4	157.7	46.5	78.2	100.2	164.5	86.4
Net claims on central government	**991.4**	**1070.3**	**1141.4**	**1271.8**	**1049.2**	**1017.1**	**882.3**	**883.8**	**1059.0**	**886.4**	**869.7**	**936.8**
Claims on central government	1340.0	1473.3	1518.3	1630.9	1478.8	1535.6	1408.3	1574.8	1833.9	1704.5	1673.6	1702.1
Securities other than Shares	1248.7	1379.5	1426.5	1554.0	1401.0	1474.8	1356.1	1521.1	1792.2	1659.2	1620.5	1651.8
Other claims	91.3	93.8	91.8	76.9	77.8	60.8	52.2	53.7	41.7	45.3	53.0	50.3
less: Liabilities to central government	**-348.6**	**-403.0**	**-376.8**	**-359.1**	**-429.6**	**-518.5**	**-526.0**	**-691.1**	**-774.9**	**-818.2**	**-803.9**	**-765.3**
Deposits	-348.6	-403.0	-376.8	-359.1	-429.6	-431.3	-438.7	-603.8	-687.6	-733.4	-719.2	-680.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	-87.3	-87.3	-87.3	-87.3	-84.8	-84.8	-84.8
Claims on other sectors	**15045.6**	**15278.5**	**15436.0**	**15766.5**	**15841.6**	**15719.8**	**15845.7**	**15800.4**	**16051.3**	**16133.0**	**16658.7**	**16820.8**
Other financial corporations	25.5	14.1	19.2	15.3	15.3	53.9	12.7	18.1	12.7	0.0	0.0	0.0
State and local government	16.4	10.3	18.2	11.6	18.3	9.9	9.3	9.0	9.5	8.9	12.4	19.3
Public nonfinancial corporations	1009.1	1055.6	1053.6	1053.8	168.4	123.8	124.1	128.0	134.0	134.5	131.6	144.3
Other nonfinancial corporations	4918.3	5032.4	5104.4	5336.7	5206.4	5622.3	5403.2	5371.0	5530.7	6093.0	6733.2	6527.0
Other resident sectors	9076.4	9166.1	9240.6	9349.1	10433.1	9909.9	10296.4	10274.3	10364.4	9896.5	9781.5	10130.2
Unclassified shares and other equity	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table II.2(a) OTHER DEPOSITORY CORPORATIONS SURVEY (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	-1214.4	-781.3	-845.4	-478.6	-943.7	-1279.8	-504.7	-490.1	-423.0	-368.5	-497.0	-1013.1
Claims on nonresidents	1154.4	1243.2	1257.9	1471.8	1285.4	1297.0	1188.3	1244.5	1426.9	1370.4	1285.2	1302.7
Foreign currency	43.5	53.4	36.4	64.9	62.6	65.6	47.7	60.6	37.6	43.7	41.0	40.2
Deposits	684.9	763.4	0.0	980.3	795.8	803.1	713.5	754.6	960.9	891.7	807.0	828.9
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	426.1	426.5	426.9	426.6	426.9	428.3	427.1	429.3	428.5	435.0	437.2	433.5
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less: Liabilities to nonresidents	-2368.8	-2024.5	-2103.3	-1950.4	-2229.1	-2576.8	-1693.0	-1734.6	-1850.0	-1738.9	-1782.3	-2315.7
Deposits	-1054.4	-1036.2	-1090.4	-1116.5	-1208.2	-1272.7	-869.6	-1071.7	-1018.2	-1054.2	-959.1	-956.0
Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	-1314.4	-988.3	-1013.0	-833.9	-1020.9	-1304.0	-823.5	-663.0	-831.8	-684.7	-823.2	-1359.8
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on central bank	508.9	411.9	586.3	491.0	458.0	469.3	392.6	505.7	466.7	484.9	496.9	585.1
Currency	199.3	168.3	238.4	186.8	230.2	246.0	191.5	270.1	249.4	191.8	289.6	313.1
Reserve deposits	175.5	173.0	176.1	176.0	179.4	177.5	183.2	223.7	191.3	189.8	194.1	201.0
Other claims	134.1	70.7	171.8	128.2	48.3	45.7	17.9	11.9	26.0	103.2	13.3	71.1
Net claims on central government	1010.7	1006.5	997.4	834.2	995.6	1062.5	1205.3	1409.1	1342.5	1558.1	1627.4	1761.5
Claims on central government	1654.4	1546.5	1559.8	1475.5	1604.7	1728.4	1759.1	1778.7	1766.1	1957.9	2020.8	2180.3
Securities other than Shares	1618.2	1509.6	1528.1	1444.0	1573.3	1700.2	1713.7	1746.6	1738.3	1784.1	1900.1	1934.2
Other claims	36.2	36.9	31.7	31.5	31.4	28.2	45.4	32.1	27.8	173.8	120.8	246.1
less: Liabilities to central government	-643.7	-540.0	-562.4	-641.3	-609.1	-665.9	-553.8	-369.6	-423.6	-399.7	-393.5	-418.9
Deposits	-558.9	-455.2	-477.7	-556.6	-524.3	-581.2	-469.0	-284.8	-338.8	-315.0	-308.7	-334.1
Other liabilities	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8	-84.8
Claims on other sectors	17142.9	17429.9	17644.5	17985.8	18610.0	18644.4	18884.6	19231.6	19486.9	19740.4	20095.0	20284.6
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	10.1	10.1	10.2	10.3	13.4	11.7
State and local government	19.0	19.0	18.1	17.5	17.1	17.9	17.8	18.1	17.5	24.1	31.9	20.3
Public nonfinancial corporations	134.0	134.5	144.0	148.7	351.5	351.2	363.3	364.2	365.1	365.7	350.5	347.6
Other nonfinancial corporations	6520.1	6769.0	6909.1	7832.3	7407.7	7392.3	7469.2	7609.2	7756.9	7756.5	7552.7	7563.7
Other resident sectors	10469.8	10507.3	10573.2	9987.3	10833.8	10883.0	11024.2	11230.0	11337.2	11583.9	12146.4	12341.4
Unclassified shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table II.2(b) OTHER DEPOSITORY CORPORATIONS SURVEY
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Liabilities to central bank	**336.7**	**18.4**	**37.2**	**38.1**	**143.6**	**16.6**	**16.6**	**20.7**	**15.5**	**15.2**	**14.3**	**14.4**
Deposits included in broad money	**11889.5**	**12154.2**	**11836.0**	**12198.0**	**12244.5**	**12266.6**	**13118.1**	**12990.5**	**13460.4**	**12613.3**	**12848.9**	**13042.1**
Transferable deposits	**6468.2**	**6764.4**	**6248.3**	**6397.6**	**6655.7**	**6634.4**	**7097.4**	**6972.8**	**7359.8**	**7198.8**	**7488.4**	**7496.1**
Other financial corporations	466.5	616.7	551.9	552.3	538.9	503.1	565.1	559.2	598.9	683.2	1013.4	977.0
State and local government	68.3	76.1	66.5	69.2	83.4	64.4	145.3	82.8	124.9	91.3	81.1	85.3
Public nonfinancial corporations	425.9	358.0	373.9	367.9	408.2	267.3	320.9	290.5	293.8	287.4	358.7	186.9
Other nonfinancial corporations	3526.6	3683.5	3368.6	3492.0	3574.5	3469.0	3764.0	3707.9	3849.4	3840.1	3829.8	3928.2
Other resident sectors	1980.9	2030.1	1887.4	1916.2	2050.9	2330.6	2302.2	2332.5	2492.8	2296.8	2205.4	2318.8
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	**5421.3**	**5389.8**	**5587.7**	**5800.4**	**5588.8**	**5632.2**	**6020.7**	**6017.6**	**6100.6**	**5414.5**	**5360.5**	**5545.9**
Other financial corporations	256.3	279.3	274.7	353.0	276.4	318.8	595.6	522.1	558.7	319.9	312.9	345.5
State and local government	107.2	114.5	102.3	115.8	106.7	118.7	115.8	124.6	143.6	97.1	65.8	95.8
Public nonfinancial corporations	349.0	375.8	395.9	393.3	393.6	363.3	399.2	368.0	375.7	350.9	411.3	394.4
Other nonfinancial corporations	1386.1	1375.0	1554.5	1517.8	1522.2	1530.1	1570.3	1521.8	1609.4	1751.7	1762.2	1935.8
Other resident sectors	3322.7	3245.1	3260.4	3420.4	3289.9	3301.3	3339.8	3481.1	3413.3	2894.9	2808.4	2774.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, included in broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deposits excluded from broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**205.1**	**191.3**	**158.2**	**152.2**	**154.0**	**147.8**	**153.1**
Securities other than shares, excluded from broad money	**1471.4**	**1618.7**	**1608.3**	**1684.4**	**1623.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	442.4	564.6	580.8	552.5	569.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	**100.4**	**130.6**	**130.6**	**130.6**	**100.4**	**688.9**	**716.0**	**538.4**	**600.0**	**605.0**	**842.1**	**840.7**
Financial derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Trade credit and advances	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**32.3**	**99.2**	**118.2**	**122.7**	**122.7**	**158.2**
Shares and other equity	**2651.9**	**2936.6**	**2972.0**	**3010.4**	**3029.3**	**3204.5**	**3391.6**	**3474.6**	**3473.9**	**3652.0**	**3565.4**	**3655.0**
Funds contributed by owners	788.4	1051.5	1051.5	1051.5	545.5	545.5	544.5	544.5	544.5	340.9	340.9	340.9
Retained earnings	-49.8	222.7	266.8	295.6	322.1	334.4	401.4	438.1	387.4	301.3	295.3	391.4
General and special reserves	1913.4	1662.4	1653.6	1663.2	2161.7	2324.6	2445.7	2492.0	2542.0	3009.8	2929.2	2922.7
Valuation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Year Result	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	**-591.0**	**-197.9**	**-380.9**	**-341.1**	**-509.4**	**-413.1**	**-310.8**	**-725.1**	**-957.2**	**-227.5**	**-115.9**	**-336.9**
Other liabilities	305.9	371.8	368.3	403.5	436.3	1433.3	1351.1	1148.2	1420.3	1802.5	1337.2	1289.4
less: Other assets	**-1071.1**	**-899.7**	**-996.2**	**-1189.3**	**-1171.7**	**-1597.1**	**-1716.7**	**-1376.1**	**-1623.3**	**-1743.7**	**-1283.1**	**-1444.9**
plus: Consolidation adjustment	174.2	330.0	247.1	444.7	226.0	-249.3	54.9	-497.3	-754.2	-286.4	-169.9	-181.5

Table II.2(b) OTHER DEPOSITORY CORPORATIONS SURVEY (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Liabilities to central bank	**14.4**	**13.3**	**13.3**	**29.8**	**28.6**	**43.2**	**191.3**	**349.4**	**315.0**	**320.3**	**299.3**	**302.7**
Deposits included in broad money	**13350.7**	**13947.3**	**14232.9**	**14162.7**	**14038.6**	**13804.7**	**14180.2**	**14964.7**	**15175.8**	**15795.5**	**15958.6**	**15188.9**
Transferable deposits	**7495.7**	**8016.5**	**8153.8**	**8408.3**	**8225.9**	**7993.8**	**7917.0**	**8723.1**	**8691.1**	**9226.9**	**9228.9**	**8929.8**
Other financial corporations	1099.8	1276.1	1101.0	1151.9	1057.1	1140.2	1049.5	920.0	962.5	961.9	1330.2	1483.1
State and local government	71.0	104.2	105.4	106.1	109.8	59.9	59.5	70.1	173.9	217.5	212.3	219.7
Public nonfinancial corporations	204.9	270.9	255.3	434.1	281.3	251.4	370.3	354.7	407.2	451.5	440.6	438.8
Other nonfinancial corporations	3657.2	3890.2	4144.4	4096.4	4221.9	4177.3	4095.2	4847.8	4677.5	5319.5	5169.8	4736.9
Other resident sectors	2463.0	2475.1	2547.8	2619.8	2555.9	2364.8	2342.6	2530.6	2470.1	2276.6	2076.1	2051.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	**5854.9**	**5930.8**	**6079.1**	**5754.4**	**5812.7**	**5811.0**	**6263.1**	**6241.5**	**6484.7**	**6568.5**	**6729.7**	**6259.1**
Other financial corporations	347.7	359.4	333.7	336.4	347.7	348.0	463.5	429.4	504.8	469.3	460.1	486.7
State and local government	114.5	127.6	109.3	105.2	87.2	150.6	134.3	70.1	129.0	114.2	107.0	129.6
Public nonfinancial corporations	483.7	361.0	393.8	273.4	270.4	371.1	414.9	309.6	330.8	271.7	315.9	346.5
Other nonfinancial corporations	2126.3	2113.5	2273.8	2067.5	2077.5	2037.5	2162.6	2397.7	2349.0	2596.7	2663.6	2311.6
Other resident sectors	2782.7	2969.3	2968.5	2971.9	3029.9	2903.9	3087.7	3034.7	3171.0	3116.7	3183.1	2984.7
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, included in broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deposits excluded from broad money	**138.7**	**148.0**	**144.9**	**135.2**	**143.8**	**149.6**	**191.3**	**166.2**	**148.6**	**145.9**	**174.4**	**190.6**
Securities other than shares, excluded from broad money	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	**735.1**	**862.8**	**854.2**	**1109.1**	**1190.6**	**1244.2**	**1334.9**	**1444.5**	**1342.7**	**1445.3**	**1641.8**	**1773.1**
Financial derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Trade credit and advances	**130.7**	**135.0**	**135.5**	**135.5**	**135.5**	**135.5**	**203.8**	**156.1**	**170.7**	**158.1**	**161.0**	**162.2**
Shares and other equity	**3667.5**	**3681.2**	**3753.8**	**3746.0**	**3745.2**	**3768.0**	**3872.6**	**3959.1**	**3997.1**	**4059.4**	**4045.9**	**3976.5**
Funds contributed by owners	340.9	340.9	340.9	271.5	271.5	271.5	271.5	271.5	271.5	271.5	271.5	271.8
Retained earnings	153.9	160.7	198.6	215.4	207.2	293.1	153.7	192.3	111.3	153.6	152.3	223.5
General and special reserves	3172.7	3179.6	3214.3	3259.1	3266.5	3203.3	3447.3	3495.3	3614.3	3634.3	3622.1	3481.1
Valuation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Year Result	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	**-558.9**	**-720.6**	**-751.8**	**-485.8**	**-162.3**	**-248.8**	**3.8**	**-383.7**	**-276.6**	**-509.4**	**-687.2**	**24.1**
Other liabilities	1314.2	1458.1	1420.8	1503.0	1555.3	1368.6	1510.1	1657.6	1577.2	1489.7	1462.0	1507.4
less: Other assets	**-1370.7**	**-1411.3**	**-1543.3**	**-1577.8**	**-1465.3**	**-1540.8**	**-1585.4**	**-1710.1**	**-1730.2**	**-1551.8**	**-1815.1**	**-1715.0**
plus: Consolidation adjustment	-502.3	-767.5	-629.4	-411.0	-252.3	-76.6	79.0	-331.3	-123.6	-447.3	-334.1	231.7

Table II.3 DEPOSITORY CORPORATIONS SURVEY (end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	2529.0	2468.1	1442.6	1486.5	1425.1	1041.2	2014.7	1348.6	1430.2	1797.1	1391.6	1259.6
Claims on nonresidents	4917.9	4634.4	3974.0	3983.2	3951.9	4147.5	4993.1	4172.7	4388.0	4702.8	4066.8	3639.3
less: Liabilities to nonresidents	-2388.9	-2166.3	-2531.4	-2496.7	-2526.7	-3106.3	-2978.3	-2824.0	-2957.9	-2905.7	-2675.1	-2379.7
Domestic claims	14716.8	15486.8	15986.5	16382.9	16554.9	16180.1	16344.2	16392.8	16537.0	16158.5	17101.0	17346.6
Net claims on central government	-345.8	190.8	532.3	597.9	694.8	441.7	479.8	573.1	465.3	5.4	422.8	506.7
Claims on central government	1340.0	1473.3	1518.3	1630.9	1478.8	1535.6	1408.3	1574.8	1833.9	1704.5	1673.6	1702.1
less: Liabilities to central government	-1685.8	-1282.4	-986.0	-1033.0	-784.1	-1093.9	-928.5	-1001.8	-1368.6	-1699.1	-1250.8	-1195.4
Claims on other sectors	15062.6	15295.9	15454.2	15785.0	15860.2	15738.4	15864.5	15819.7	16071.7	16153.1	16678.2	16839.9
Other financial corporations	25.5	14.1	19.2	15.3	15.3	53.9	12.7	18.1	12.7	0.0	0.0	0.0
State and local government	16.4	10.3	18.2	11.6	18.3	9.9	9.3	9.0	9.5	8.9	12.4	19.3
Public nonfinancial corporations	1009.1	1055.6	1053.6	1053.8	168.4	123.8	124.1	128.0	134.0	134.5	131.6	144.3
Other nonfinancial corporations	4918.3	5032.4	5104.4	5336.7	5206.4	5622.3	5403.2	5371.0	5530.7	6093.0	6733.2	6527.0
Other resident sectors	9093.4	9183.5	9258.8	9367.6	10451.7	9928.5	10315.2	10293.7	10384.8	9916.6	9801.0	10149.3
Unclassified shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Broad money liabilities	12419.2	12701.3	12390.0	12757.9	12811.0	12821.6	13677.3	13599.3	14030.1	13208.5	13486.5	13626.7
Currency outside depository corporations	529.7	547.1	554.0	560.0	566.4	555.0	559.2	608.8	569.6	595.3	637.6	584.6
Transferable deposits	6468.2	6764.4	6248.3	6397.6	6655.7	6634.4	7097.4	6972.8	7359.8	7198.8	7488.4	7496.1
Other financial corporations	466.5	616.7	551.9	552.3	538.9	503.1	565.1	559.2	598.9	683.2	1013.4	977.0
State and local government	68.3	76.1	66.5	69.2	83.4	64.4	145.3	82.8	124.9	91.3	81.1	85.3
Public nonfinancial corporations	425.9	358.0	373.9	367.9	408.2	267.3	320.9	290.5	293.8	287.4	358.7	186.9
Other nonfinancial corporations	3526.6	3683.5	3368.6	3492.0	3574.5	3469.0	3764.0	3707.9	3849.4	3840.1	3829.8	3928.2
Other resident sectors	1980.9	2030.1	1887.4	1916.2	2050.9	2330.6	2302.2	2332.5	2492.8	2296.8	2205.4	2318.8
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Central bank float	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	5421.3	5389.8	5587.7	5800.4	5588.8	5632.2	6020.7	6017.6	6100.6	5414.5	5360.5	5545.9
Other financial corporations	256.3	279.3	274.7	353.0	276.4	318.8	595.6	522.1	558.7	319.9	312.9	345.5
State and local government	107.2	114.5	102.3	115.8	106.7	118.7	115.8	124.6	143.6	97.1	65.8	95.8
Public nonfinancial corporations	349.0	375.8	395.9	393.3	393.6	363.3	399.2	368.0	375.7	350.9	411.3	394.4
Other nonfinancial corporations	1386.1	1375.0	1554.5	1517.8	1522.2	1530.1	1570.3	1521.8	1609.4	1751.7	1762.2	1935.8
Other resident sectors	3322.7	3245.1	3260.4	3420.4	3289.9	3301.3	3339.8	3481.1	3413.3	2894.9	2808.4	2774.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, included in broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	0.1	0.0	0.0	0.0	0.0	205.1	191.3	158.2	152.2	154.0	147.8	153.1
Securities other than shares, excluded from broad money	1471.4	1618.7	1608.3	1762.4	1701.6	78.0	43.6	43.6	43.6	43.6	43.6	43.6
Loans	100.4	130.6	130.6	130.6	100.4	688.9	716.0	538.4	600.0	605.0	842.1	840.7
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	5.2	5.5	5.6	4.3	8.9	4.3	36.7	104.8	123.0	125.3	126.0	167.2
Shares and other equity	3729.6	3856.3	3883.8	3744.6	3969.3	4040.4	4225.2	4263.8	4243.4	4399.6	4238.2	4398.5
Other items (net)	-480.1	-357.5	-589.2	-530.5	-611.1	-617.0	-531.1	-960.3	-1194.5	-463.4	-365.5	-592.7
Other liabilities (includes central bank float)	309.6	375.4	371.2	406.3	439.1	1436.0	1353.9	1150.9	1423.4	1805.1	1340.8	1292.3
less: Other assets	-1255.0	-1083.3	-1183.7	-1370.3	-1351.9	-1776.7	-1894.0	-1554.6	-1798.1	-1918.8	-1454.9	-1622.0
plus: Consolidation adjustment	465.3	350.3	223.3	433.4	301.8	-276.3	9.0	-556.6	-819.8	-349.7	-251.4	-263.0
Memoranda: Central bank float	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table II.3 DEPOSITORY CORPORATIONS SURVEY (end of period in N$ Million) **(Continued)**

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	1496.5	1154.1	978.7	1917.0	916.7	503.5	1479.9	1499.7	1385.2	1839.1	1490.9	964.2
Claims on nonresidents	3878.3	3270.2	3098.3	3883.3	3158.4	3099.2	3199.9	3257.1	3250.6	3587.6	3285.4	3288.4
less: Liabilities to nonresidents	-2381.7	-2116.1	-2119.6	-1966.3	-2241.7	-2595.7	-1720.0	-1757.4	-1865.4	-1748.6	-1794.5	-2324.2
Domestic claims	17203.8	18052.5	18432.1	18066.4	19245.8	19384.5	19387.6	19927.1	20235.4	20319.2	20716.8	21170.0
Net claims on central government	42.6	608.2	772.6	65.8	621.2	726.2	489.1	681.6	735.3	565.2	736.7	871.7
Claims on central government	1654.4	1546.5	1559.8	1475.5	1604.7	1728.4	1759.1	1778.7	1766.1	1957.9	2020.8	2180.3
less: Liabilities to central government	-1611.8	-938.2	-787.2	-1409.8	-983.5	-1002.2	-1270.0	-1097.1	-1030.8	-1392.7	-1284.1	-1308.6
Claims on other sectors	17161.2	17444.3	17659.4	18000.6	18624.6	18658.3	18898.5	19245.4	19500.0	19754.0	19980.1	20298.2
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	10.1	10.1	10.2	10.3	13.4	11.7
State and local government	19.0	19.0	18.1	17.5	17.1	17.9	17.8	18.1	17.5	24.1	31.9	20.3
Public nonfinancial corporations	134.0	134.5	144.0	148.7	351.5	351.2	363.3	364.2	365.1	365.7	350.5	347.6
Other nonfinancial corporations	6520.1	6769.0	6909.1	7832.3	7407.7	7392.3	7469.2	7609.2	7756.9	7756.5	7424.3	7563.7
Other resident sectors	10488.1	10521.8	10588.2	10002.1	10848.4	10896.9	11038.1	11243.8	11350.3	11597.5	12159.9	12355.0
Unclassified shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Broad money liabilities	13938.1	14551.4	14807.8	14806.9	14648.0	14410.8	14826.5	15590.3	15807.4	16462.5	16628.2	15821.6
Currency outside depository corporations	587.4	604.0	574.8	644.2	609.4	606.1	646.4	625.6	631.5	667.0	669.6	632.7
Transferable deposits	7495.7	8016.6	8153.9	8408.3	8225.9	7993.8	7917.0	8723.2	8691.1	9227.0	9228.9	8929.8
Other financial corporations	1099.8	1276.1	1101.0	1151.9	1057.1	1140.2	1049.5	920.0	962.5	961.9	1330.2	1483.1
State and local government	71.0	104.2	105.4	106.1	109.8	59.9	59.5	70.1	173.9	217.5	212.3	219.7
Public nonfinancial corporations	204.9	270.9	255.3	434.1	281.3	251.4	370.3	354.7	407.2	451.5	440.6	438.8
Other nonfinancial corporations	3657.2	3890.2	4144.4	4096.4	4221.9	4177.3	4095.2	4847.8	4677.5	5319.5	5169.8	4736.9
Other resident sectors	2463.0	2475.2	2547.9	2619.8	2555.9	2364.8	2342.6	2530.6	2470.1	2276.6	2076.1	2051.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Central bank float	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	5854.9	5930.8	6079.1	5754.4	5812.7	5811.0	6263.1	6241.5	6484.7	6568.5	6729.7	6259.1
Other financial corporations	347.7	359.4	333.7	336.4	347.7	348.0	463.5	429.4	504.8	469.3	460.1	486.7
State and local government	114.5	127.6	109.3	105.2	87.2	150.6	134.3	70.1	129.0	114.2	107.0	129.6
Public nonfinancial corporations	483.7	361.0	393.8	273.4	270.4	371.1	414.9	309.6	330.8	271.7	315.9	346.5
Other nonfinancial corporations	2126.3	2113.5	2273.8	2067.5	2077.5	2037.5	2162.6	2397.7	2349.0	2596.7	2663.6	2311.6
Other resident sectors	2782.7	2969.3	2968.5	2971.9	3029.9	2903.9	3087.7	3034.7	3171.0	3116.7	3183.1	2984.7
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities other than shares, included in broad money	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	138.7	148.0	144.9	135.2	143.8	149.6	191.3	166.2	148.6	145.9	174.4	190.6
Securities other than shares, excluded from broad money	43.6	43.6	43.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	735.1	862.8	854.2	1109.1	1190.6	1244.2	1334.9	1444.5	1342.7	1445.3	1641.8	1773.1
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	138.8	144.3	142.0	140.0	139.0	137.6	205.5	160.1	173.7	161.1	165.1	170.0
Shares and other equity	4500.2	4414.8	4418.2	4509.8	4435.7	4428.6	4504.3	4662.1	4689.9	4709.5	4673.1	4587.7
Other items (net)	-764.0	-958.2	-999.9	-717.6	-394.7	-482.9	-195.1	-596.4	-541.6	-765.9	-1074.9	-408.8
Other liabilities (includes central bank float)	1317.2	1461.0	1423.6	1505.8	1558.1	1371.4	1512.8	1660.0	1579.7	1492.1	1464.5	1523.1
less: Other assets	-1541.8	-1581.3	-1710.1	-1744.8	-1630.8	-1844.2	-1910.8	-2146.1	-2211.4	-2044.2	-2207.5	-2248.4
plus: Consolidation adjustment	-539.4	-837.8	-713.4	-478.6	-322.0	-148.6	202.9	-110.3	90.1	-213.9	-174.3	316.5
Memoranda: Central bank float	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table II.4 OTHER DEPOSITORY CORPORATIONS CLAIMS ON OTHER SECTORS
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Loans	15553.1	15774.7	15906.4	16208.6	16288.4	16098.2	16220.5	16176.5	16433.1	16573.7	17100.5	17265.2
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other depository corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	25.5	14.1	19.2	15.3	15.3	38.4	0.0	5.4	0.0	0.0	0.0	0.0
Central government	91.3	93.8	91.8	76.9	77.8	60.8	52.2	53.7	41.7	41.9	42.8	45.1
State and local government	16.4	10.3	18.2	11.6	18.3	5.2	4.5	4.2	4.7	4.1	7.6	14.6
Public nonfinancial corporations	961.8	1008.4	1006.3	1006.5	121.1	123.8	124.1	128.0	134.0	134.5	131.6	144.3
Other nonfinancial corporations (Businesses)	4905.2	5011.8	5083.9	5316.1	5185.9	5551.9	5335.2	5302.6	5462.1	6071.5	6711.4	6504.9
Loans and Advances	3557.8	3635.4	3700.9	3917.2	3892.8	4128.9	3954.7	3902.6	4038.6	4652.5	5281.8	5067.0
Farm mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other mortgage loans	465.1	472.6	484.4	484.8	430.4	618.8	664.2	717.5	712.7	1352.1	1512.1	1468.8
Dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	465.1	472.6	484.4	484.8	430.4	618.8	664.2	717.5	712.7	1352.1	1512.1	1468.8
Overdrafts			0.0	0.0	0.0	3106.7	2903.4	2773.7	2911.5	2942.4	3419.0	3246.5
Other loans and advances	3092.7	3162.8	3216.5	3432.4	3462.4	403.4	387.1	411.3	414.4	358.1	350.6	351.7
Leasing	52.7	53.2	53.7	55.0	52.8	56.5	59.2	61.4	62.9	62.0	62.4	60.9
Instalment credit	501.9	506.8	520.8	532.3	434.4	546.3	552.0	563.7	568.6	585.0	601.4	614.7
Other	805.9	837.0	808.5	814.7	813.2	820.2	769.3	775.0	792.0	772.1	765.8	762.4
Other resident sectors (Individuals)	9076.4	9166.1	9240.6	9349.1	10433.1	9909.9	10296.4	10274.3	10364.4	9896.5	9781.5	10130.2
Loans and Advances	7230.6	8193.5	6943.9	6120.4	7128.8	7992.5	8335.6	8324.3	8364.3	7879.8	7736.8	8022.2
Farm mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0	450.6	459.6	274.3	513.7	513.7	549.4
Other mortgage loans	5589.6	6530.1	5281.7	5336.2	5418.7	5319.8	5400.5	5440.1	5465.7	4959.5	4855.0	5063.6
Dwellings	0.0	0.0	0.0	0.0	0.0	3885.0	3965.8	4005.4	4031.0	4959.5	4855.0	5063.6
Other	5589.6	6530.1	5281.7	5336.2	5418.7	1434.7	1434.7	1434.7	1434.7	0.0	0.0	0.0
Overdrafts			0.0	0.0	0.0	946.6	927.6	967.8	971.7	966.9	932.0	949.8
Other loans and advances	1641.0	1663.3	1662.2	784.1	1710.1	1726.1	1556.9	1456.8	1652.6	1439.7	1436.1	1459.4
Leasing	89.3	88.9	91.0	90.5	88.7	88.5	85.6	86.4	84.2	81.4	81.7	80.3
Instalment credit	1750.2	1760.9	1796.3	1804.1	1909.1	1823.7	1871.5	1859.9	1912.1	1931.5	1959.2	2024.3
Other	6.3	8.0	8.1	8.3	12.7	5.2	3.8	3.8	3.8	3.8	3.9	3.4
Nonresidents	476.6	470.2	446.4	433.0	436.8	408.1	408.1	408.1	426.2	425.2	425.5	426.1
Loans and Advances	0.0	0.0	0.0	0.0	0.0	408.1	408.1	408.1	426.2	425.2	425.5	426.1
Farm mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other mortgage loans	0.0	0.0	0.0	0.0	0.0	408.1	408.1	408.1	417.8	416.8	409.5	409.5
Dwellings	0.0	0.0	0.0	0.0	0.0	408.1	408.1	408.1	408.1	408.1	408.1	408.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.6	8.7	1.4	1.3
Overdrafts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.6	7.0	4.6	4.1
Other loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	1.4	11.4	12.5
Leasing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table II.4 OTHER DEPOSITORY CORPORATIONS CLAIMS ON OTHER SECTORS (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Loans	17575.1	17847.0	18062.9	18402.1	19026.7	19062.5	19273.0	19594.9	19854.8	20258.5	20561.6	20875.7
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other depository corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government	30.5	31.0	25.3	23.6	24.0	24.3	35.8	24.5	19.3	168.6	115.6	242.4
State and local government	14.3	14.3	13.4	12.8	12.4	13.2	13.1	13.4	12.7	19.4	27.2	15.6
Public nonfinancial corporations	134.0	134.5	144.0	148.7	351.5	351.2	363.3	364.2	365.1	365.7	350.5	347.6
Other nonfinancial corporations (Businesses)	6500.4	6733.4	6880.2	7803.1	7378.2	7362.6	7409.5	7533.5	7691.9	7685.9	7484.6	7495.2
Loans and Advances	5073.3	5120.9	5286.4	5414.7	5701.7	5662.4	5657.3	5753.2	5866.8	5816.3	5569.0	5580.7
Farm mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other mortgage loans	1305.4	1399.1	1444.6	1414.4	1411.2	1471.8	1472.9	1474.8	1541.2	1522.3	1030.2	1034.6
Dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1305.4	1399.1	1444.6	1414.4	1411.2	1471.8	1472.9	1474.8	1541.2	1522.3	1030.2	1034.6
Overdrafts	3414.1	3368.0	3481.4	3635.2	3973.3	3882.9	2760.1	2625.2	2694.7	2702.9	2874.4	2707.4
Other loans and advances	353.9	353.8	360.4	365.2	317.2	307.8	1424.3	1653.2	1631.0	1591.2	1664.3	1838.6
Leasing	61.3	61.9	60.0	84.4	44.3	39.6	40.7	42.2	41.7	42.6	43.7	37.0
Instalment credit	626.9	647.6	651.8	1368.3	682.8	714.1	750.5	776.7	809.1	833.6	1143.6	882.3
Other	738.9	903.0	882.0	935.6	949.3	946.4	961.0	961.5	974.2	993.3	728.3	995.1
Other resident sectors (Individuals)	10469.8	10507.3	10573.2	9987.3	10833.8	10883.0	11024.2	11230.0	11337.2	11583.9	12146.4	12341.4
Loans and Advances	8381.1	8398.9	8433.4	8577.1	8679.4	8702.4	8847.3	9015.0	9105.4	9320.9	9861.4	9778.0
Farm mortgage loans	595.8	600.3	797.1	797.1	797.1	797.1	385.7	627.0	662.3	678.8	704.6	715.2
Other mortgage loans	5257.8	5239.4	5249.6	5421.3	5458.4	5576.8	5601.6	5713.6	5789.2	5920.1	6549.5	6694.8
Dwellings	5257.8	5239.4	5249.6	5421.3	5458.4	5576.8	5601.6	5713.6	5789.2	5920.1	6549.5	6694.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdrafts	1076.4	1084.3	1110.6	1063.9	1119.6	1069.1	1159.8	1188.1	1160.8	1170.5	1042.1	1074.3
Other loans and advances	1451.0	1474.9	1276.2	1294.9	1304.4	1259.4	1700.3	1486.2	1493.1	1551.5	1565.2	1293.9
Leasing	78.6	79.0	78.8	55.8	78.7	78.5	76.9	77.2	75.9	76.0	74.6	74.0
Instalment credit	2006.8	2026.1	2057.6	1351.3	2072.5	2099.0	2096.8	2134.6	2152.7	2183.6	2206.7	2220.0
Other	3.4	3.4	3.4	3.1	3.2	3.1	3.2	3.2	3.3	3.5	3.7	269.4
Nonresidents	426.1	426.5	426.9	426.6	426.9	428.3	427.1	429.3	428.5	435.0	437.2	433.5
Loans and Advances	426.1	426.5	426.9	426.6	426.9	428.3	427.1	429.3	428.5	435.0	437.2	433.5
Farm mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other mortgage loans	409.5	409.5	409.4	409.4	409.4	409.4	409.8	409.8	409.8	409.8	412.1	412.1
Dwellings	408.1	408.1	408.1	408.1	408.1	408.1	408.1	408.1	408.1	408.1	408.1	408.1
Other	1.4	1.4	1.3	1.3	1.3	1.3	1.6	1.6	1.6	1.6	3.9	3.9
Overdrafts	5.5	5.4	6.4	5.1	6.2	7.1	5.9	5.6	4.8	5.4	5.6	5.5
Other loans and advances	11.1	11.6	11.1	12.1	11.4	11.8	11.4	13.9	13.9	19.9	19.6	15.9
Leasing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Instalment credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table II.5 DEPOSITS OF OTHER DEPOSITORY CORPORATIONS
(end of period in N$ Million)

	2003											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Deposits												
Deposits included in broad money	11889.5	12154.2	11836.0	12198.0	12244.5	12266.6	13118.1	12990.5	13460.4	12613.3	12848.9	13042.1
Transferable deposits	6468.2	6764.4	6248.3	6397.6	6655.7	6634.4	7097.4	6972.8	7359.8	7198.8	7488.4	7496.1
In national currency	6468.2	6764.4	6248.3	6397.6	6655.7	6634.4	7097.4	6972.8	7359.8	7198.7	7263.0	7265.4
Other financial corporations	466.5	616.7	551.9	552.3	538.9	503.1	565.1	559.2	598.9	683.1	788.0	746.2
State and local government	68.3	76.1	66.5	69.2	83.4	64.4	145.3	82.8	124.9	91.3	81.1	85.3
Public nonfinancial corporations	425.9	358.0	373.9	367.9	408.2	267.3	320.9	290.5	293.8	287.4	358.7	186.9
Other nonfinancial corporations	3526.6	3683.5	3368.6	3492.0	3574.5	3469.0	3764.0	3707.9	3849.4	3840.1	3829.8	3928.2
Other resident sectors	1980.9	2030.1	1887.4	1916.2	2050.9	2330.6	2302.2	2332.5	2492.8	2296.8	2205.4	2318.8
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	225.4	230.7
Other deposits	5421.3	5389.8	5587.7	5800.4	5588.8	5632.2	6020.7	6017.6	6100.6	5414.5	5360.5	5545.9
In national currency	5421.3	5389.8	5587.7	5800.4	5588.8	5632.2	6020.7	6017.6	6100.6	5414.5	5360.5	5545.9
Other financial corporations	256.3	279.3	274.7	353.0	276.4	318.8	595.6	522.1	558.7	319.9	312.9	345.5
State and local government	107.2	114.5	102.3	115.8	106.7	118.7	115.8	124.6	143.6	97.1	65.8	95.8
Public nonfinancial corporations	349.0	375.8	395.9	393.3	393.6	363.3	399.2	368.0	375.7	350.9	411.3	394.4
Other nonfinancial corporations	1386.1	1375.0	1554.5	1517.8	1522.2	1530.1	1570.3	1521.8	1609.4	1751.7	1762.2	1935.8
Other resident sectors	3322.7	3245.1	3260.4	3420.4	3289.9	3301.3	3339.8	3481.1	3413.3	2894.9	2808.4	2774.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	1117.9	992.6	1302.3	1469.3	1376.6	1793.4	2171.2	2148.0	2258.2	2220.0	2179.0	2345.7
Transferable deposits	740.4	613.7	952.8	1133.5	990.9	1370.4	1576.8	1561.7	1702.1	905.5	870.3	975.4
In national currency	740.4	613.7	952.8	1133.5	990.9	1165.3	1385.5	1403.6	1550.0	751.5	722.5	822.3
In foreign currency	0.0	0.0	0.0	0.0	0.0	205.1	191.3	158.2	152.2	154.0	147.8	153.1
Other deposits	377.5	378.9	349.5	335.8	385.7	423.0	594.4	586.3	556.1	1314.5	1308.7	1370.3
In national currency	363.7	378.9	349.5	335.8	385.7	423.0	594.4	586.3	556.1	1234.1	1233.9	1292.6
In foreign currency	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	80.5	74.9	77.7

Table II.5 DEPOSITS OF OTHER DEPOSITORY CORPORATIONS (Continued)
(end of period in N$ Million)

	2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Deposits												
Deposits included in broad money	13350.7	13947.3	14232.9	14162.7	14038.6	13804.7	14180.2	14964.7	15175.8	15795.5	15958.6	15188.9
Transferable deposits	7495.7	8016.5	8153.8	8408.3	8225.9	7993.8	7917.0	8723.1	8691.1	9226.9	9228.9	8929.8
In national currency	7263.2	7784.7	7913.0	8159.5	7982.1	7748.9	7679.5	8485.9	8452.3	8986.3	9228.9	8898.0
Other financial corporations	867.2	1044.3	860.2	903.1	813.3	895.3	812.0	682.7	723.7	721.2	1330.2	1451.2
State and local government	71.0	104.2	105.4	106.1	109.8	59.9	59.5	70.1	173.9	217.5	212.3	219.7
Public nonfinancial corporations	204.9	270.9	255.3	434.1	281.3	251.4	370.3	354.7	407.2	451.5	440.6	438.8
Other nonfinancial corporations	3657.2	3890.2	4144.4	4096.4	4221.9	4177.3	4095.2	4847.8	4677.5	5319.5	5169.8	4736.9
Other resident sectors	2463.0	2475.1	2547.8	2619.8	2555.9	2364.8	2342.6	2530.6	2470.1	2276.6	2076.1	2051.4
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In foreign currency	232.5	231.8	240.8	248.7	243.8	244.9	237.6	237.2	238.8	240.7	0.0	31.9
Other deposits	5854.9	5930.8	6079.1	5754.4	5812.7	5811.0	6263.1	6241.5	6484.7	6568.5	6729.7	6259.1
In national currency	5854.9	5930.8	6079.1	5754.4	5812.7	5811.0	6263.1	6241.5	6484.7	6568.5	6729.7	6259.1
Other financial corporations	347.7	359.4	333.7	336.4	347.7	348.0	463.5	429.4	504.8	469.3	460.1	486.7
State and local government	114.5	127.6	109.3	105.2	87.2	150.6	134.3	70.1	129.0	114.2	107.0	129.6
Public nonfinancial corporations	483.7	361.0	393.8	273.4	270.4	371.1	414.9	309.6	330.8	271.7	315.9	346.5
Other nonfinancial corporations	2126.3	2113.5	2273.8	2067.5	2077.5	2037.5	2162.6	2397.7	2349.0	2596.7	2663.6	2311.6
Other resident sectors	2782.7	2969.3	2968.5	2971.9	3029.9	2903.9	3087.7	3034.7	3171.0	3116.7	3183.1	2984.7
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unclassified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits excluded from broad money	2137.6	2023.1	2104.5	2128.4	2267.5	2508.9	2254.4	2099.5	2260.1	2102.4	2299.9	2447.3
Transferable deposits	960.4	885.5	906.7	985.7	1195.0	1308.6	1328.0	1235.5	1106.4	784.5	1285.0	1228.9
In national currency	821.7	737.5	761.8	850.5	1051.3	1159.0	1136.7	1069.3	957.8	638.6	1110.6	1038.3
In foreign currency	138.7	148.0	144.9	135.2	143.8	149.6	191.3	166.2	148.6	145.9	174.4	190.6
Other deposits	1177.3	1137.6	1197.8	1142.8	1072.5	1200.2	926.4	864.0	1153.8	1317.9	1014.8	1218.4
In national currency	1094.8	1059.7	1134.1	1108.2	1039.8	1169.3	895.3	837.2	1024.5	1287.4	1014.8	1218.4
In foreign currency	82.4	77.9	63.7	34.6	32.6	30.9	31.1	26.7	129.2	30.5	0.0	0.0

TABLE II.6 SELECTED INTEREST RATES: NAMIBIA AND SOUTH AFRICA

Period		Prime Lending		Average Lending		Treasury biills(3 month)		Deposit rate		Bank rate	Repo rate
		Namibia	RSA	Namibia	RSA	Namibia	RSA	Namibia	RSA	Namibia	RSA
1999		**16.70**	**15.50**	**17.51**	**15.50**	**11.53**	**10.70**	**8.57**	**10.00**	**11.50**	**12.00**
2000		**15.90**	**14.50**	**15.11**	**14.50**	**9.62**	**10.20**	**7.63**	**10.65**	**11.25**	**12.00**
2001	Jan	15.90	14.50	15.50	14.50	9.42	10.15	7.11	10.60	11.25	12.00
	Feb	15.90	14.50	15.23	14.50	9.31	10.12	7.20	10.60	11.25	12.00
	Mar	15.90	14.50	15.12	14.50	9.16	10.17	7.14	10.60	11.25	12.00
	Apr	15.90	14.50	15.12	14.50	9.05	10.34	7.14	10.55	11.25	12.00
	May	15.90	14.50	15.06	14.50	9.43	10.38	7.09	10.30	11.25	11.00
	Jun	14.50	13.75	16.09	14.14	9.52	9.99	7.01	10.00	10.75	11.00
	Jul	14.70	13.50	13.80	13.62	9.40	9.53	6.61	9.90	10.75	11.00
	Aug	14.50	13.50	13.57	13.50	9.41	9.37	6.48	9.37	10.75	9.50
	Sep	14.50	13.00	14.05	13.40	9.40	9.24	6.51	9.67	9.25	9.50
	Oct	14.00	13.00	13.78	13.00	9.24	8.87	6.47	9.45	9.25	9.50
	Nov	14.00	13.00	13.30	13.00	9.19	8.76	6.29	9.31	9.25	9.50
	Dec	14.00	13.00	13.76	13.00	9.13	9.20	6.48	9.25	9.25	10.50
2002	Jan	14.00	14.00	12.83	13.54	9.39	9.44	6.36	8.00	10.00	10.50
	Feb	14.75	14.00	12.50	14.00	9.95	9.43	6.85	10.01	10.00	11.50
	Mar	15.75	15.00	12.66	14.42	10.19	9.92	6.99	10.13	11.00	11.50
	Apr	15.75	15.00	13.28	15.00	10.65	10.60	7.43	11.14	11.00	11.50
	May	15.75	15.00	12.56	15.00	10.72	11.16	7.47	11.18	11.00	12.50
	Jun	16.75	16.00	13.58	15.54	11.27	11.44	7.67	11.27	12.00	12.50
	Jul	16.75	16.00	14.07	16.00	11.61	11.37	8.12	11.92	12.00	12.50
	Aug	16.75	16.00	14.05	16.00	11.35	11.43	8.12	11.94	12.00	13.50
	Sep	17.50	17.00	14.35	16.50	11.37	12.11	8.27	12.23	12.75	13.50
	Oct	17.50	17.00	15.95	17.00	12.13	12.61	8.59	12.79	12.75	13.50
	Nov	17.50	17.00	15.07	17.00	12.06	12.17	8.88	12.84	12.75	13.50
	Dec	17.50	17.00	15.15	17.00	11.93	12.27	8.96	12.52	12.75	13.50
2003	Jan	17.50	17.00	15.63	17.00	11.75	12.34	9.26	12.43	12.75	13.50
	Feb	17.50	17.00	15.04	17.00	11.51	12.63	9.34	12.63	12.75	13.50
	Mar	17.50	17.00	15.46	17.00	11.56	12.73	9.37	11.96	12.75	13.50
	Apr	17.50	17.00	15.41	17.00	11.68	12.74	9.35	12.46	12.75	13.50
	May	17.50	17.00	15.46	17.00	12.30	12.55	9.33	12.40	12.75	13.50
	Jun	17.50	15.50	16.16	16.13	11.95	11.21	9.66	12.03	11.50	12.00
	Jul	16.25	15.50	15.45	15.50	11.06	10.89	9.50	11.30	11.50	12.00
	Aug	15.50	14.50	14.74	14.94	10.28	10.25	8.93	9.84	10.75	11.00
	Sep	14.70	13.50	14.04	13.86	10.00	10.04	7.91	9.86	9.75	10.00
	Oct	13.00	12.00	13.72	12.89	9.01	8.22	8.04	8.69	8.25	8.50
	Nov	13.90	12.00	12.04	12.00	7.69	7.69	7.35	7.69	7.75	8.50
	Dec	12.50	11.50	12.91	11.75	7.35	7.01	6.88	7.40	7.75	8.00
2004	Jan	12.50	11.50	11.54	11.50	7.90	7.56	6.48	8.05	7.75	8.00
	Feb	12.50	11.50	11.61	11.50	8.00	7.56	6.56	7.45	7.75	8.00
	Mar	12.50	11.50	11.49	11.50	8.20	7.76	6.38	7.48	7.75	8.00
	Apr	12.50	11.50	12.82	11.50	8.01	7.76	6.25	7.48	7.75	8.00
	May	12.50	11.50	11.40	11.50	7.98	7.76	6.38	7.48	7.75	8.00
	Jun	12.50	11.50	11.59	11.50	8.07	7.83	6.38	7.71	7.75	8.00
	Jul	12.50	11.50	11.38	11.50	8.02	7.89	6.48	7.62	7.50	8.00
	Aug	12.25	11.22	11.10	11.22	8.13	7.44	6.29	7.23	7.50	7.50
	Sep	12.25	11.00	11.16	11.00	7.66	7.12	6.20	6.84	7.50	7.50
	Oct	12.25	11.00	10.79	11.00	7.48	7.28	6.26	6.76	7.50	7.50
	Nov	12.25	11.00	10.06	11.00	7.55	7.25	6.20	6.71	7.50	7.50
	Dec	12.25	11.00	10.73	11.00	7.49	7.27	6.36	6.71	7.50	7.50

Table III.1 ALLOTMENT OF GOVERNMENT OF NAMIBIA TREASURY BILLS
N$ Million

Date Issued	Date Due	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-banking Financial Instit.	Other Public Enterprises	Private Sector	TOTAL	Amount Outstanding
2004									
Jan	.04/04	50.0	0.0	50.0	0.0	0.0	0.0	50.0	4461.2
Jan*	.07/04	207.5	0.0	207.5	12.5	0.0	0.0	220.0	4681.2
Jan*	.07/04	98.4	0.0	98.4	1.6	0.0	0.0	100.0	4781.2
Jan**	.01/05	80.0	0.0	80.0	0.0	0.0	0.0	80.0	4861.2
Feb*	.08/04	188.0	0.0	188.0	42.0	0.0	0.0	230.0	4491.2
Feb*	.08/04	182.0	0.0	182.0	15.9	0.0	2.1	200.0	4691.2
Feb**	.02/05	150.0	0.0	150.0	0.0	0.0	0.0	150.0	4841.2
Mar	.06/04	188.4	0.0	188.4	52.8	0.0	8.8	250.0	4241.2
Mar*	.09/04	541.0	0.0	541.0	8.6	0.0	0.5	550.0	4791.2
Mar**	.03/05	228.1	0.0	228.1	21.8	0.0	0.1	250.0	5041.2
Apr	.07/04	50.0	0.0	50.0	0.0	0.0	0.0	50.0	4569.2
Apr*	.10/04	101.0	0.0	101.0	36.0	13.0	0.0	150.0	4719.2
Apr**	.04/05	119.5	0.0	119.5	0.5	0.0	0.0	120.0	4839.2
Apr**	.04/05	127.0	0.0	127.0	25.0	0.0	0.0	152.0	4991.2
May	.08/04	100.0	0.0	100.0	0.0	0.0	0.0	100.0	4521.2
May*	.11/04	112.6	0.0	112.6	37.4	0.0	0.0	150.0	4671.2
May**	.05/05	222.0	0.0	222.0	52.1	0.0	0.0	274.1	4945.3
May**	.05/05	117.4	0.0	117.4	2.7	0.0	0.0	120.0	5065.3
Jun	.09/04	237.1	0.0	237.1	54.4	0.0	8.5	300.0	4595.3
Jun*	.12/04	88.9	0.0	88.9	31.1	0.0	0.0	120.0	4715.3
Jun**	.06/05	196.5	0.0	196.5	9.0	0.0	0.0	205.5	4920.9
Jun**	.06/05	134.8	0.0	134.8	15.2	0.0	0.0	150.0	5070.9
Jul	.10/04	50.0	0.0	50.0	0.0	0.0	0.0	50.0	4650.9
Jul*	.01/05	72.0	0.0	72.0	28.0	0.0	0.0	100.0	4750.9
Jul**	.07/05	18.8	0.0	18.8	31.2	0.0	0.0	50.0	4800.9
Jul**	.07/05	217.4	0.0	217.4	2.6	0.0	0.0	220.0	5020.9
Aug	.11/04	110.0	0.0	110.0	16.0	0.0	0.0	126.0	4616.9
Aug*	.02/05	230.7	0.0	230.7	17.0	0.0	2.3	250.0	4866.9
Aug**	.08/05	198.0	0.0	198.0	2.0	0.0	0.0	200.0	5066.9
Aug**	.08/05	230.0	0.0	230.0	0.0	0.0	0.0	230.0	5296.9
Sep	.12/04	291.1	0.0	291.1	50.5	0.0	8.4	350.0	4196.9
Sep*	.03/05	515.6	0.0	515.6	34.0	0.0	0.4	550.0	4746.9
Sep**	.09/05	456.3	17.0	473.3	11.7	15.0	0.0	500.0	5246.9
Sep**	.09/05	346.0	0.0	346.0	4.0	0.0	0.0	350.0	5596.9
Oct	.01/05	50.0	0.0	50.0	0.0	0.0	0.0	50.0	5346.9
Oct*	.04/05	93.4	0.0	93.4	56.6	0.0	0.0	150.0	5496.9
Oct**	.10/05	100.0	0.0	100.0	0.0	0.0	0.0	100.0	5596.9
Nov	.02/05	129.8	0.0	129.8	0.2	0.0	0.0	130.0	5119.8
Nov*	.05/05	150.0	0.0	150.0	0.0	0.0	0.0	150.0	5269.8
Nov**	.11/05	130.0	0.0	130.0	0.0	0.0	0.0	130.0	5399.8
Nov**	.11/05	437.7	0.0	437.7	111.8	0.0	0.5	550.0	5949.8
Dec	.03/05	168.0	0.0	168.0	59.4	0.0	8.5	235.9	5447.5
Dec*	.06/05	120.0	0.0	120.0	0.0	0.0	0.0	120.0	5567.5
Dec**	.12/05	251.0	0.0	251.0	22.6	0.0	0.4	274.0	5841.5
2005									
Jan	.04/05	30.0	0.0	30.0	0.0	0.0	0.0	30.0	5641.5
Jan*	.07/05	57.7	0.0	57.7	22.3	0.0	0.0	80.0	5721.5
Jan**	.01/06	46.7	0.0	46.7	3.3	0.0	0.0	50.0	5771.5

* means 182 day treasury bills
** means 365 day treasury bills

Table III.2 HOLDINGS OF GOVERNMENT OF NAMIBIA INTERNAL REGISTERED STOCK
N$ Million

Date Issued	Date Due	Coupon Rate (%)	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-banking Financial Instit.	Other Public Enterprises	Private Sector	TOTAL	Amount Outstanding
2004										
Jan	.01/10	12.00	0.0	0.0	0.0	0.0	7.0	0.1	7.1	3,534.4
Jan	.04/15	13.00	13.0	0.0	13.0	0.0	18.0	0.1	31.1	3,565.5
Feb*	.04/05	12.00	0.0	0.0	0.0	-16.5	0.0	0.0	-16.5	3,549.0
Feb*	.04/15	13.00	0.0	0.0	0.0	15.7	0.0	0.0	15.7	3,564.7
Feb*	.04/05	12.00	-14.0	0.0	-14.0	0.0	0.0	0.0	-14.0	3,550.6
Feb*	.07/07	12.50	14.3	0.0	14.3	0.0	0.0	0.0	14.3	3,564.9
Mar										3,564.9
Apr	.07/07	12.50	19.9	0.0	19.9	0.0	0.0	0.1	20.0	3,584.9
Apr	.01/10	12.00	24.0	0.0	24.0	1.0	0.0	0.5	25.5	3,609.9
Apr	.01/10	12.00	7.0	0.0	7.0	0.0	0.0	0.5	7.1	3,617.0
Apr	.04/15	13.00	85.0	0.0	85.0	0.0	5.0	0.1	90.1	3,707.1
Apr	.04/15	13.00	40.0	0.0	40.0	10.0	0.0	0.0	50.0	3,757.1
May	.07/07	12.25	18.3	0.0	18.3	1.0	0.0	0.7	20.0	3,777.1
May	.01/10	12.00	4.0	0.0	4.0	0.0	0.0	0.5	4.1	3,781.1
May	.04/15	13.00	61.5	0.0	61.5	0.0	0.0	0.5	62.0	3,842.7
May*	.07/07	12.50	51.3	0.0	51.3	0.0	0.0	0.0	51.3	3,893.9
May*	.04/05	12.00	-52.4	0.0	-52.4	0.0	0.0	0.0	-52.4	3,841.5
May*	.04/15	13.00	15.3	0.0	15.3	0.0	0.0	0.0	15.3	3,856.8
May*	.04/05	12.00	-15.0	0.0	-15.0	0.0	0.0	0.0	-15.0	3,841.8
Jun*	.07/07	12.50	113.7	10.4	124.1	0.0	0.0	3.9	128.0	3,969.8
Jun*	.04/05	12.00	-109.5	-10.0	-119.5	0.0	0.0	-3.8	-123.3	3,846.5
Jun*	.01/10	12.00	21.5	0.0	21.5	0.0	0.0	0.0	21.5	3,668.0
Jun*	.04/05	12.00	-20.0	0.0	-20.0	0.0	0.0	0.0	-20.0	3,848.0
Jun*	.04/15	13.00	4.8	0.0	4.8	0.0	0.0	0.0	4.8	3,852.8
Jun*	.04/05	12.00	-4.7	0.0	-4.7	0.0	0.0	0.0	-4.7	3,848.0
Jun	.07/07	12.50	89.0	0.0	89.0	11.4	0.0	0.0	100.4	3,948.4
Jun	.01/10	12.00	6.3	10.0	16.3	0.0	0.0	0.5	16.4	3,964.7
Jun	.01/10	12.00	27.0	10.0	37.0	0.0	0.0	0.0	37.0	4,001.7
Jun	.04/15	13.00	50.0	0.0	50.0	0.0	0.0	0.0	50.0	4,051.7
Jun	.04/15	13.00	25.0	0.0	25.0	0.0	0.0	0.0	25.0	4,076.7
Jul	.07/07	12.50	27.3	30.0	57.3	2.7	0.0	0.0	60.0	4,136.7
Jul	.01/10	12.00	25.0	15.0	40.0	0.0	0.0	0.0	40.0	4,176.7
Jul	.04/15	13.00	41.2	5.0	46.2	0.0	0.0	0.0	46.2	4,222.9
Jul*	.07/07	12.50	44.8	0.0	44.8	0.0	0.0	2.7	47.5	4,270.4
Jul*	.04/05	12.00	-43.3	0.0	-43.3	0.0	0.0	-2.7	-46.0	4,224.4
Jul*	.01/10	12.00	8.5	0.0	8.5	0.0	0.0	0.0	8.5	4,233.0
Jul*	.04/05	12.00	-8.0	0.0	-8.0	0.0	0.0	0.0	-8.0	4,225.0
Jul*	.04/15	13.00	15.5	0.0	15.5	0.0	0.0	0.0	15.5	4,240.5
Jul*	.04/05	12.00	-15.2	0.0	-15.2	0.0	0.0	0.0	-15.2	4,225.3
Aug	.07/07	12.50	16.1	0.0	16.1	3.9	0.0	0.0	20.0	4,245.3
Aug	.01/10	12.00	7.0	0.0	7.0	0.0	0.0	1.0	8.0	4,253.3
Aug	.04/15	13.00	4.0	0.0	4.0	0.0	0.0	0.0	4.0	4,257.3
Aug	.04/15	13.00	4.0	5.0	9.0	0.0	0.0	0.0	9.0	4,266.3
Aug	.10/24	10.50	23.0	0.0	23.0	0.0	0.0	0.0	23.0	4,289.3
Aug	.10/24	10.50	140.0	0.0	140.0	0.0	0.0	0.0	140.0	4,429.3
Sep	.01/10	12.00	25.0	15.0	40.0	0.0	0.0	0.0	40.0	4,469.3
Sep	.04/15	13.00	29.0	0.0	29.0	0.0	0.0	0.0	29.0	4,498.3
Sep	.10/24	10.50	69.0	0.0	69.0	0.0	0.0	0.0	69.0	4,567.3
Sep*	.07/07	12.50	94.1	0.0	94.1	0.0	0.0	0.0	94.1	4,661.4
Sep*	.04/05	12.50	-98.2	0.0	-98.2	0.0	0.0	0.0	-98.2	4,563.2
Sep*	.01/10	12.00	17.3	0.0	17.3	0.0	0.0	1.9	19.2	4,582.4
Sep*	.04/05	12.00	-18.0	0.0	-18.0	0.0	0.0	-2.0	-20.0	4,562.4
Oct	.01/10	12.00	16.0	0.0	16.0	0.0	0.0	0.0	16.0	4,578.4
Oct	.05/15	13.00	16.0	0.0	16.0	0.0	0.0	0.0	16.0	4,594.4
Nov	.01/10	12.00	44.0	0.0	44.0	0.0	0.0	0.5	44.1	4,638.4
Nov	.04/15	13.00	26.0	0.0	26.0	0.0	0.0	0.5	26.1	4,664.5
Nov	.10/24	10.50	12.0	0.0	12.0	0.0	0.0	0.0	12.0	4,676.5
Dec	.01/10	12.00	56.0	0.0	56.0	0.0	0.0	0.0	56.0	4,732.5
Dec	.04/15	13.00	65.0	0.0	65.0	0.0	0.0	0.0	65.0	4,797.5
Dec	.10/24	10.50	30.5	0.0	30.5	0.0	0.0	0.0	30.5	4,828.0
Dec	.10/24	10.50	5.0	0.0	5.0	0.0	0.0	0.0	5.0	4,833.0
Dec*	.01/10	12.00	4.9	18.9	23.8	0.0	0.0	0.0	23.8	4,856.7
Dec*	.04/05	12.00	-5.2	-20.0	-25.2	0.0	0.0	0.0	-25.2	4,831.2
2005										
Jan	.10/24	10.50	4.0	0.0	4.0	4.0	0.0	0.0	8.0	4,839.5

* Switch of GCO5 into GC07, GC10 & GC15

Table III.3 GOVERNMENT REVENUE AND EXPENDITURE

N$ Million

	Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Estimate 2003/04	Actual 2003/04	Estimate 2004/05
REVENUE AND GRANTS							
Taxes on income and profits	2315.0	2610.0	3285.6	4442.3	4353.8	3618.5	3566.6
Taxes on property	47.0	63.0	64.1	79.3	90.0	75.2	92.8
Domestic taxes on goods and services	1944.0	1945.0	2107.4	2135.7	2651.1	1950.8	2945.8
Taxes on international trade	2241.0	2877.0	2641.2	2596.9	3035.7	3035.6	4206.8
Other taxes	51.0	55.0	67.6	75.6	80.0	82.8	90.0
Total Tax Revenue	**6598.0**	**7550.0**	**8166.0**	**9329.8**	**10210.6**	**8762.9**	**10902.0**
Entrepreneurial and property income	402.7	461.9	463.4	703.2	672.0	488.8	691.6
Fines and forfeitures	10.9	21.4	18.2	19.6	15.0	18.9	21.0
Administration fees and charges	171.6	231.8	254.0	382.3	244.9	449.3	372.3
Return on capital from lending and equity	20.1	20.9	21.4	15.9	21.2	13.5	36.4
Total Non-Tax Revenue	**605.3**	**736.0**	**757.1**	**1121.1**	**953.0**	**970.5**	**1121.3**
Total revenue (own sources)	7203.3	8286.0	8923.0	10450.9	11163.6	9733.4	12023.3
Grants			58.1	34.4	0.0	34.2	80.8
Loans earmarked for on-lending	68.5	56.9	116.8	76.8	0.0	0.0	0.0
TOTAL REVENUE AND GRANTS	**7271.8**	**8342.9**	**9097.9**	**10562.1**	**11163.6**	**9767.6**	**12104.1**
EXPENDITURE							
Current Ependiture							
Personnel expenditure	3618.7	3964.9	4325.5	4708.9	5136.4	5117.0	5303.6
Expenditure on goods and other services	1583.3	1637.3	1977.3	1993.6	1981.5	2079.4	1774.8
Statutory	512.9	512.0	602.7	907.6	984.4	996.0	1176.0
Subsidies and other current transfers	1168.8	1510.5	1769.2	1892.8	2236.1	2255.9	2269.8
Total Current Expenditure	**6883.7**	**7624.7**	**8674.7**	**9503.0**	**10338.4**	**10448.3**	**10524.2**
Capital Expenditure							
Capital expenditure	918.0	929.0	1267.0	1158.7	1295.8	1293.4	1594.6
Capital transfers	30.0	32.6	25.0	87.2	97.5	103.6	208.3
Total lending and equity participation	121.0	122.0	335.7	649.7	525.0	400.0	366.0
Total Capital Expenditure	**1069.0**	**1083.6**	**1627.7**	**1895.7**	**1918.3**	**1797.0**	**2168.9**
TOTAL EXPENDITURE	**7952.7**	**8708.3**	**10302.4**	**11398.7**	**12256.7**	**12243.4**	**12693.1**
OVERALL DEFICIT (-)/SURPLUS (+)	**-680.9**	**-365.4**	**-1204.5**	**-836.6**	**-1093.1**	**-2475.8**	**-589.0**
TOTAL FINANCING							
Net borrowing	829.0	280.0	1206.5	699.3	1093.1	1788.3	0.0
Decrease (+)/increase (-) in cash balances	-148.0	85.0	-2.0	137.7	0.0	689.3	0.0
TOTAL FINANCING	**681.2**	**365.1**	**1204.5**	**837.0**	**1093.1**	**2477.6**	**589.0**

Table IV.A MAJOR BALANCE OF PAYMENTS AGGREGATES (a)
N$ Million

	1999	2000	2001	2002	2003(p)	2004(p)
Merchandise trade balance	**-1248**	**64**	**-1711**	**-2183**	**-3481**	**-1794**
Exports fob	7314	9161	9828	11278	9463	11796
Imports fob	-8562	-9097	-11539	-13461	-12944	-13590
Services (net)	**-747**	**-745**	**142**	**602**	**1295**	**643**
Credit	1977	1554	2495	2960	3157	3088
Debit	-2724	-2298	-2353	-2359	-1862	-2445
Compensation of employees (net)	**-9**	**-10**	**-7**	**-12**	**-28**	**-28**
Credit	30	32	40	46	56	56
Debit	-39	-42	-47	-58	-84	-84
Investment income (net)	**1002**	**165**	**-600**	**370**	**1759**	**509**
Credit	1626	1694	1665	1757	2067	2318
Debit	-624	-1529	-2265	-1387	-308	-1809
Current transfers in cash and kind (net)	**2436**	**3012**	**2985**	**2894**	**3467**	**4303**
Credit	2793	3268	3291	3203	3670	4528
Debit	-357	-255	-306	-308	-203	-225
Current Account Balance	**1434**	**2488**	**809**	**1671**	**3012**	**3633**
Net capital transfers	**140**	**778**	**816**	**429**	**509**	**498**
Credit	142	780	818	431	512	501
Debit	-2	-2	-2	-2	-3	-3
Direct investment	**124**	**1275**	**3253**	**1964**	**1198**	**1983**
Abroad	5	-19	109	53	74	136
In Namibia	120	1293	3144	1911	1125	1847
Portfolio investment	**-36**	**-965**	**-1691**	**-1975**	**-2220**	**-2171**
Assets	-164	-824	-1541	-1505	-1615	-1615
Liabilities	128	-141	-150	-470	-604	-556
Other investment - long term	**-684**	**-2591**	**-2983**	**-2047**	**-3142**	**-4040**
Assets	-1689	-2572	-3072	-2864	-3568	-3645
Liabilities	1005	-19	89	816	426	-396
Other investment - short term	**-378**	**-174**	**478**	**410**	**406**	**42**
Assets	-171	-972	-183	154	29	287
Liabilities	-207	798	661	256	377	-245
Capital and Financial Account excluding Reserves	**-833**	**-1677**	**-128**	**-1219**	**-3247**	**-3689**
Net errors and omissions	**-252**	**-703**	**37**	**-262**	**-553**	**-77**
OVERALL BALANCE	**350**	**107**	**718**	**190**	**-788**	**-133**
Reserve Assets	**-350**	**-107**	**-718**	**-190**	**788**	**133**

(a) Debit (negative) entries are used to record imports of goods and services, investment income payable, the counterpart to transfers received from non-resdents, and a deficit.Credit (positive) entries record exports of goods and services, income receivable, the counterpart to transfers made to non-residents, and a surplus.

(p) Provisional

Table IV.B SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS SERVICES
N$ Million

	1999	2000	2001	2002	2003(p)	2004(p)
Services, net	**-747**	**-745**	**142**	**602**	**1295**	**643**
Credit	**1977**	**1554**	**2495**	**2960**	**3157**	**3088**
Transportation	0	266	316	485	449	209
Travel	1752	1118	2004	2281	2498	2605
Insurance	-1	-12	-3	2	0	0
Communication	35	38	41	42	64	100
Construction	9	9	9	16	0	0
Financial	40	18	10	14	0	0
Computer and Information	1	3	0	0	0	0
Royalties and License Fees	35	38	40	40	0	0
Administrative and Business	3	2	4	4	2	2
Professional and Technical	4	1	0	0	0	12
Others, not included elsewhere	20	1	0	0	23	33
Government	79	72	75	77	119	127
Debit	**-2724**	**-2298**	**-2353**	**-2359**	**-1862**	**-2445**
Transportation	-707	-628	-706	-775	-457	-874
Travel	-543	-596	-599	-577	-556	-565
Insurance	-155	-115	-117	-124	-131	-124
Communication	-2	-2	-2	-2	-2	-2
Construction	-160	-190	-193	-193	-18	-29
Financial	-26	-23	-18	-14	-41	-16
Computer and Information	-155	-99	-112	-91	-91	-91
Royalties and License Fees	-19	-55	0	-18	-27	-21
Administrative and Business	-228	-199	-199	-185	-257	-211
Professional and Technical	-418	-262	-292	-249	-152	-305
Others, not included elsewhere	-220	-46	-26	-32	-74	-147
Government	-91	-84	-90	-98	-56	-59

Table IV.C SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS INVESTMENT INCOME
N$ Million

	1999	2000	2001	2002	2003(p)	2004(p)
Compensation of employees, net	**-9**	**-10**	**-7**	**-12**	**-28**	**-28**
Credit	30	32	40	46	56	56
Debit	-39	-42	-47	-58	-84	-84
Investment income, net	**1002**	**165**	**-600**	**370**	**1759**	**509**
Credits	**1626**	**1694**	**1665**	**1757**	**2067**	**2318**
Direct Investment	-1	4	18	13	22	37
Portfolio Investment	22	63	52	118	66	53
Other Investment	1605	1627	1595	1627	1979	2228
Debit	**-624**	**-1529**	**-2265**	**-1387**	**-308**	**-1809**
Direct Investment	-483	-1343	-2078	-1032	26	-1387
Portfolio Investment	-72	-77	-80	-218	-85	-154
Other Investment	-69	-109	-106	-137	-249	-268

Table IV.D Supplementary Table : Balance of Payments- Transfers
(N$ Million)

	1999	2000	2001	2002	2003(p)	2004(p)
Current transfers						
Current transfers, net	**2436**	**3012**	**2985**	**2894**	**3467**	**4303**
Credits	2793	3267	3291	3202	3670	4528
Government	2639	3130	3152	3053	3479	4353
Grants from foreign governments, etc	401	281	264	282	325	317
SACU receipts	2132	2718	2700	2608	2926	3914
Witholding Taxes	35	52	109	79	24	36
Other transfers received	71	79	79	84	204	87
Private	154	137	139	149	191	175
Grants received by NGO's	43	43	43	45	47	41
Other transfers received	110	94	96	104	144	134
Debit	-357	-255	-306	-308	-203	-225
Government	-328	-226	-275	-272	-171	-193
Grants to foreign governments, etc	0	0	0	-3	-4	-4
SACU receipts	-325	-224	-269	-269	-167	-189
Witholding Taxes	0	0	0	0	0	0
Other transfers	-2	-2	-6	0	0	0
Private	-29	-29	-31	-36	-32	-32
Grants received by NGO's	0	0	0	0	0	0
Other transfers received	-29	-29	-31	-36	-32	-32
Capital Transfers						
Capital Transfers						
Capital Transfers, net	**140**	**778**	**816**	**429**	**509**	**497**
Credit	142	780	818	431	512	501
Government	136	774	812	424	487	475
Private	6	5	6	7	25	26
Debit	-2	-2	-2	-2	-3	-3
Government	0	0	0	0	0	0
Private	-2	-2	-2	-2	-3	-3

Table IV.E SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS DIRECT INVESTMENT
N$ Million

	1999	2000	2001	2002	2003(p)	2004 (p)
Direct investment abroad	**5**	**-19**	**109**	**53**	**74**	**136**
Equity capital	13	-8	-2	6	4	0
Reinvested earnings	-2	3	17	11	13	14
Other capital	-6	-14	94	36	57	122
Direct investment in Namibia	**120**	**1293**	**3144**	**1911**	**1125**	**1847**
Equity capital	170	607	3021	1425	842	829
Reinvested earnings	63	745	910	151	-546	917
Other capital	-113	-59	-787	335	829	101

Table IV.F SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS PORTFOLIO INVESTMENT
N$ Million

	1999	2000	2001	2002	2003(p)	2004 (p)
Portfolio Investment, net	**-36**	**-965**	**-1691**	**-1975**	**-2220**	**-2171**
Equity	**134**	**-489**	**-1265**	**-1355**	**-1522**	**-1510**
Assets	-114	-729	-1480	-1442	-1552	-1539
Liabilities	248	240	215	87	30	29
Debt	**-170**	**-476**	**-426**	**-620**	**-697**	**-661**
Assets	-50	-95	-61	-63	-63	-76
Liabilities	-120	-381	-365	-557	-634	-585

Table IV.G SUPPLEMENTARY TABLE: BALANCE OF PAYMENTS OTHER INVESTMENT
N$ Million

	1999	2000	2001	2002	2003(p)	2004(p)
Long-term, net	**-684**	**-2591**	**-2983**	**-2047**	**-3142**	**-4040**
General Government	93	61	118	872	283	76
Assets	-5	-24	-24	-24	-32	-40
Liabilities	98	85	142	896	315	115
Of which:Drawings	100	100	158	921	367	185
Repayments	-2	-16	-17	-24	-52	-69
Monetary Authorities	0	0	0	0	0	0
Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Banks	0	0	0	0	7	-1
Assets	0	0	0	0	7	-1
Liabilities	0	0	0	0	0	0
Other sectors	-776	-2652	-3101	-2919	-3431	-4115
Assets	-1684	-2548	-3048	-2839	-3543	-3604
Liabilities	908	-104	-53	-80	111	-511
Short-term, net	**-378**	**-174**	**478**	**410**	**406**	**42**
General Government	0	0	0	0	0	0
Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Banks	-592	-313	866	639	383	94
Assets	-329	-876	281	347	51	151
Liabilities	-262	563	584	293	332	-57
Other sectors	214	139	-388	-229	23	-52
Assets	158	-96	-464	-193	-22	136
Liabilities	56	235	76	-37	45	-188

Table IV.H FOREIGN EXCHANGE RATES
Foreign currency per Namibia Dollar
Period Averages

Period		US Dollar	UK Pound	Germany Mark	Japan Yen	Switzerland Franc	Spain Peseta	EU ECU
1999		0.1636	0.1011	0.3001	18.6109	0.2456	25.4776	0.1535
2000		0.1465	0.0955	0.3062	15.5972	0.2441	26.6007	0.1564
2001	Jan	0.1287	0.0870	0.2678	15.0376	0.2094	22.7790	0.1369
	Feb	0.1280	0.0880	0.2775	14.8588	0.2131	23.0947	0.1388
	Mar	0.1269	0.0877	0.2572	15.3610	0.2141	23.2019	0.1375
	Apr	0.1237	0.0863	0.2712	15.3139	0.2120	23.0947	0.1387
	May	0.1255	0.0881	0.2808	15.2672	0.2202	23.8663	0.1436
	Jun	0.1241	0.0885	0.2620	15.1745	0.2214	24.2131	0.1454
	Jul	0.1220	0.0863	0.2775	15.1976	0.2148	23.5849	0.1419
	Aug	0.1204	0.0837	0.2613	14.6199	0.2024	22.2222	0.1336
	Sep	0.1159	0.0793	0.2491	13.7741	0.1903	21.1864	0.1273
	Oct	0.1079	0.0743	0.2351	13.0890	0.1762	19.8020	0.1191
	Nov	0.1028	0.0716	0.2259	12.5945	0.1697	19.2678	0.1158
	Dec	0.0866	0.0602	0.1897	11.0865	0.1431	16.1290	0.0970
2002	Jan	0.0861	0.0601	0.1906	17.3611	0.1437	16.2075	0.0975
	Feb	0.0871	0.0612	0.1958	11.6279	0.1479	16.6667	0.1000
	Mar	0.0870	0.0612	0.1939	11.4025	0.1459	19.7628	0.0994
	Apr	0.0903	0.0629	0.1019	11.8064	0.1514	0.1019	0.1019
	May	0.0985	0.0675	0.1074	12.4533	0.1565	0.1074	0.1074
	Jun	0.0986	0.0665	0.1032	12.1803	0.1538	0.1032	0.1032
	Jul	0.0989	0.0636	0.0996	11.6686	0.1457	0.0996	0.0996
	Aug	0.0944	0.0614	0.0966	11.2360	0.1413	0.0966	0.0966
	Sep	0.0943	0.0606	0.0961	11.3766	0.1409	0.0961	0.0961
	Oct	0.0968	0.0622	0.0987	11.9904	0.1446	0.0987	0.0987
	Nov	0.1036	0.0659	0.1035	12.5945	0.1519	0.1035	0.1035
	Dec	0.1116	0.0704	0.1096	13.6240	0.1609	0.1096	0.1096
2003	Jan	0.1152	0.0713	0.1085	13.6799	0.1586	0.1085	0.1085
	Feb	0.1204	0.0748	0.1118	14.3678	0.1665	0.1118	0.1118
	Mar	0.1243	0.0785	0.1149	14.7275	0.1687	0.1149	0.1149
	Apr	0.1298	0.0825	0.1196	15.5521	0.2000	0.1196	0.1196
	May	0.1305	0.0804	0.1128	15.2905	0.1770	0.1128	0.1128
	Jun	0.1265	0.0762	0.1085	15.1515	0.1671	0.1085	0.1085
	Jul	0.1326	0.0816	0.1165	15.7233	0.1802	0.1165	0.1165
	Aug	0.1353	0.0848	0.1213	16.0772	0.1869	0.1213	0.1213
	Sep	0.1365	0.0849	0.1218	15.7233	0.1884	0.1218	0.1218
	Oct	0.1436	0.0857	0.1227	15.7233	0.1899	0.1227	0.1227
	Nov	0.1486	0.0880	0.1269	16.2338	0.1980	0.1269	0.1269
	Dec	0.1532	0.0878	0.1252	16.5563	0.1946	0.1252	0.1252
2004	Jan	0.1446	0.0794	0.1146	15.3846	0.1794	0.1146	0.1146
	Feb	0.1477	0.0791	0.1168	14.3885	0.1838	0.1168	0.1168
	Mar	0.1501	0.0825	0.1214	16.3666	0.1925	0.1214	0.1214
	Apr	0.1526	0.0846	0.1271	16.3934	0.1977	0.1271	0.1271
	May	0.1474	0.0825	0.1227	16.5017	0.1889	0.1227	0.1227
	Jun	0.1553	0.0850	0.1280	17.0068	0.1944	0.1280	0.1280
	Jul	0.1632	0.0886	0.1329	17.8253	0.2030	0.1329	0.1329
	Aug	0.1549	0.0851	0.1272	19.8020	0.1957	0.1272	0.1272
	Sep	0.1527	0.0852	0.1251	16.8067	0.1930	0.1251	0.1251
	Oct	0.1566	0.0866	0.1253	17.0358	0.1933	0.1253	0.1253
	Nov	0.1651	0.0889	0.1272	17.3010	0.1936	0.1272	0.1272
	Dec	0.1745	0.0862	0.1301	19.2308	0.1998	0.1301	0.1301

Table IV.I EFFECTIVE EXCHANGE RATES INDICES

		Nominal Effective Exchange Rate Indices			Real Effective Exchange Rate Indices		
		Import Trade Weighted	Export Trade Weighted	Total Trade Weighted	Import Trade Weighted	Export Trade Weighted	Total Trade Weighted
1998		102.4	159.7	125.3	99.2	144.4	117.6
1999		101.8	150.2	121.5	100.4	142.9	117.9
2000		100.7	119.3	108.3	101.1	119.5	108.6
2001	Jan	99.5	94.6	97.2	101.6	98.8	100.3
	Feb	99.5	95.2	97.5	101.9	99.8	100.9
	Mar	99.5	95.1	97.5	102.4	100.4	101.5
	Apr	99.4	94.5	97.1	102.3	99.7	101.1
	May	99.6	95.7	97.8	102.1	100.6	101.4
	Jun	99.6	96.0	97.9	103.1	102.0	102.5
	Jul	99.5	94.7	97.2	102.4	100.9	101.7
	Aug	99.2	92.5	96.1	102.4	98.6	100.7
	Sep	99.0	89.4	94.5	102.6	95.8	99.5
	Oct	98.6	85.9	92.6	102.5	92.6	97.8
	Nov	98.4	83.9	91.5	102.4	90.9	97.0
	Dec	97.4	75.3	86.7	101.8	82.2	92.4
2002	Jan	97.7	77.4	87.9	101.6	85.1	93.7
	Feb	97.5	76.4	87.3	101.3	84.2	93.1
	Mar	97.5	76.2	87.2	102.2	85.1	94.0
	Apr	97.7	77.6	88.0	102.7	87.1	95.3
	May	98.0	80.9	89.9	103.1	91.2	97.5
	Jun	97.9	80.0	89.3	103.0	90.6	97.2
	Jul	97.8	77.8	88.1	103.7	89.5	96.9
	Aug	97.5	76.1	87.1	103.0	87.4	95.6
	Sep	97.5	75.7	86.9	103.8	88.0	96.3
	Oct	97.7	77.0	87.7	104.0	89.9	97.3
	Nov	98.0	79.8	89.3	104.8	93.8	99.6
	Dec	98.4	83.2	91.2	106.1	98.5	102.5
2003	Jan	98.5	83.7	91.4	105.5	99.3	102.7
	Feb	98.5	86.0	92.6	105.1	101.5	103.5
	Mar	98.9	88.4	94.0	104.6	103.8	104.2
	Apr	99.2	91.2	95.5	104.3	106.5	105.3
	May	99.0	89.5	94.6	105.2	105.5	105.3
	Jun	98.8	86.8	93.1	106.3	103.5	105.0
	Jul	99.1	90.5	95.9	111.0	105.0	99.5
	Aug	99.3	92.7	96.9	111.0	107.4	100.3
	Sep	99.3	93.0	97.0	111.3	107.7	100.4
	Oct	99.4	93.2	97.1	111.2	107.7	100.3
	Nov	99.6	94.9	97.9	112.0	110.0	101.4
	Dec	99.7	94.8	97.9	111.0	109.5	101.0
2004	Jan	99.2	89.2	95.3	110.2	104.0	98.0
	Feb	99.2	88.9	95.1	110.3	103.8	97.7
	Mar	99.5	91.7	96.5	110.7	107.4	99.1
	Apr	99.6	93.2	97.1	110.5	109.1	99.6
	May	99.5	91.8	96.5	110.5	107.2	99.0
	Jun	99.7	93.7	97.4	110.5	109.6	99.8
	Jul	99.9	96.2	98.6	112.0	113.5	101.9
	Aug	99.8	94.6	97.9	112.4	111.5	101.6
	Sep	99.6	93.5	97.3	112.4	110.4	100.9
	Oct	99.7	94.3	97.7	112.7	111.5	101.4
	Nov	99.9	95.8	98.5	113.6	113.6	102.2
	Dec	100.0	95.3	98.2	113.8	112.7	102.5