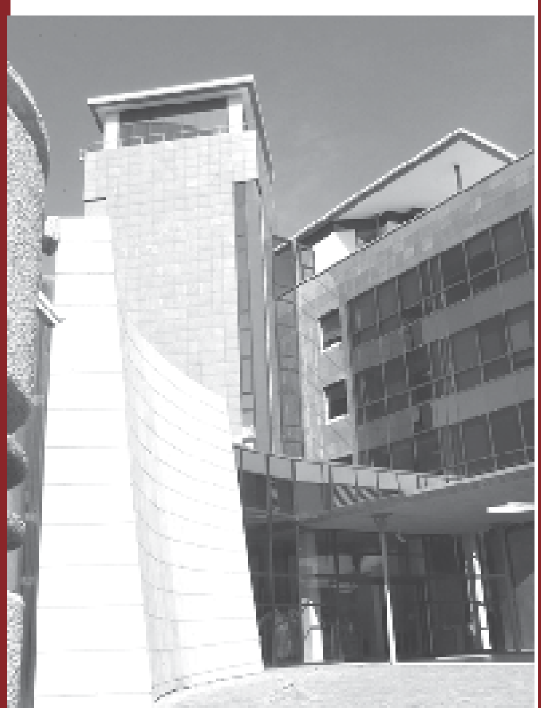
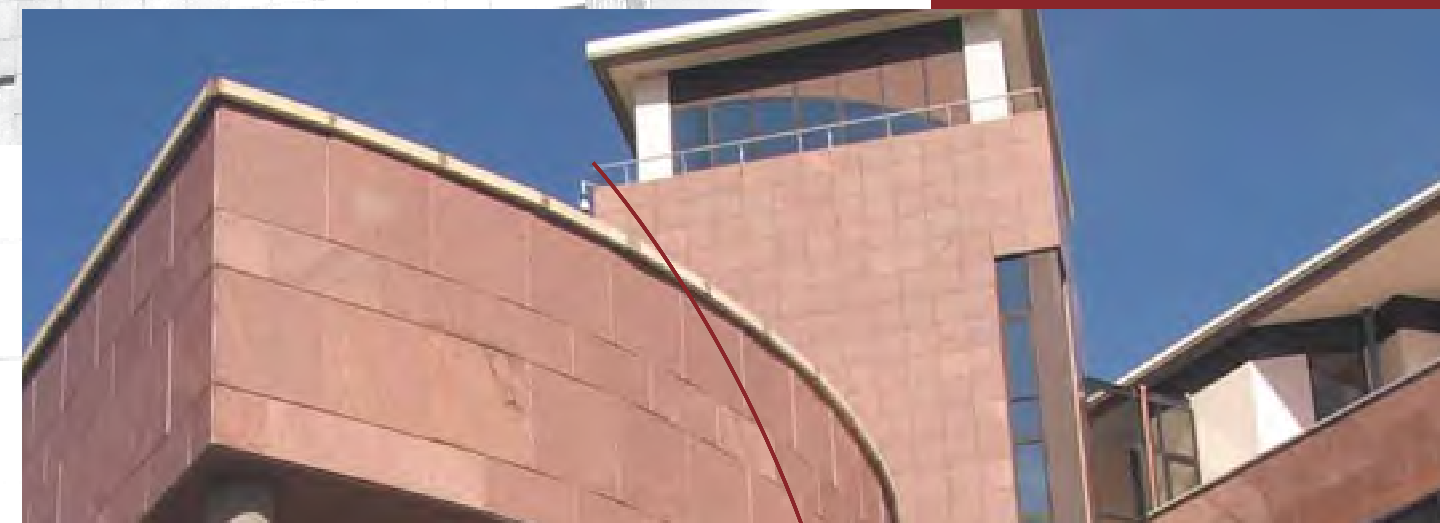


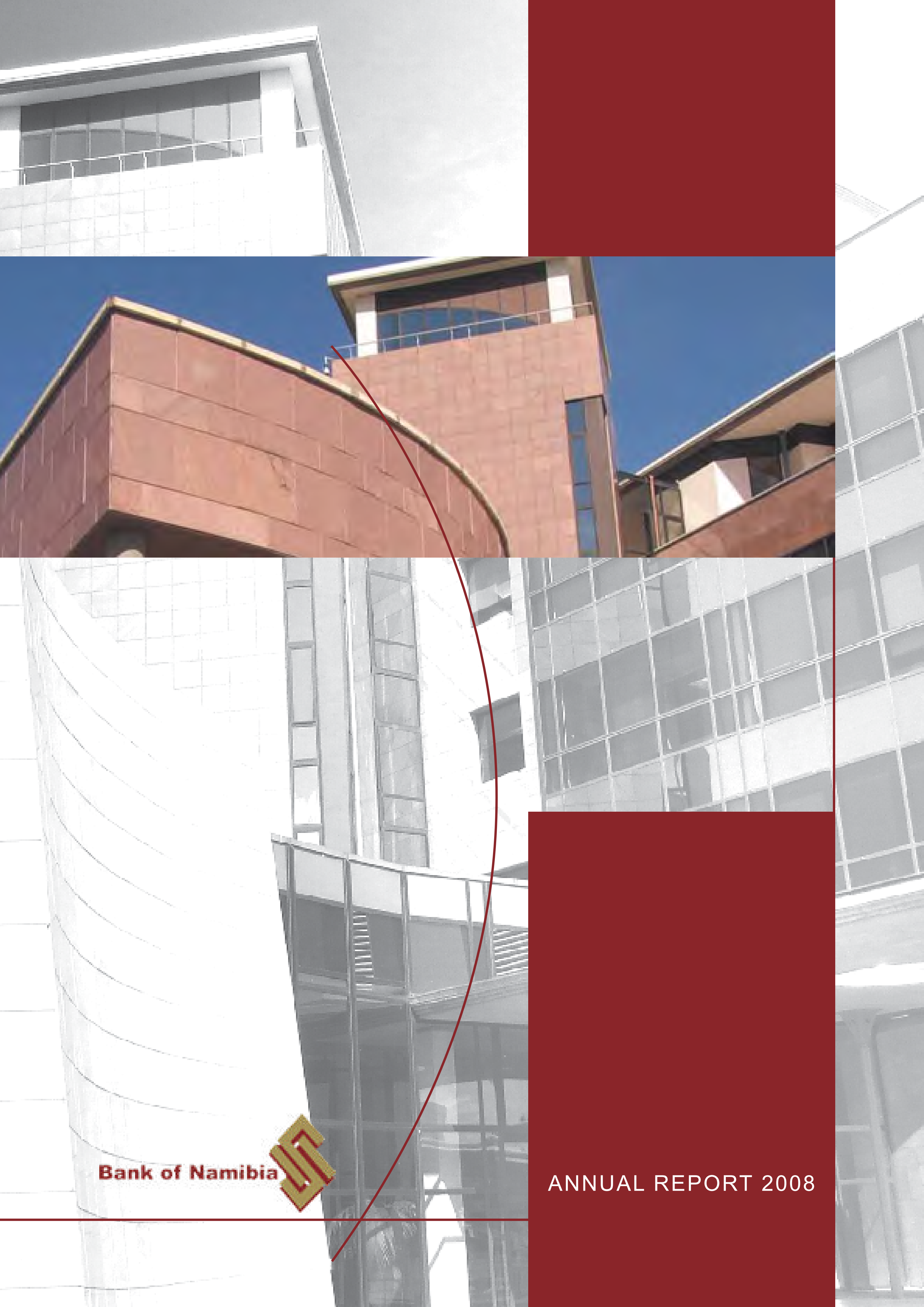
Bank of Namibia

BANK OF NAMIBIA ANNUAL REPORT 2008



Bank of Namibia

ANNUAL REPORT 2008

Bank of Namibia

ANNUAL REPORT 2008

Bank of Namibia
Annual Report 2008

This Bank of Namibia Annual Report and the financial statements for the financial year ended 31 December 2008 are prepared pursuant to section 52(1) of the Bank of Namibia Act, 1997 (No. 15 of 1997).

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Enquiries: research@bon.com.na

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CORPORATE CHARTER

VISION
"Our vision is to be the centre of excellence - a professional and credible institution - working in the public interest, and supporting the achievement of the national economic development goals."

MISSION
"In support of economic growth and development our mandate is to promote price stability, efficient payment systems, effective banking supervision, reserves management and economic research in order to proactively offer relevant financial and fiscal advice to all our stakeholders."

VALUES
We value high-performance impact in the context of teamwork.

We uphold open communication, diversity and integrity.

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

CONTENTS

GOVERNOR'S STATEMENT

The year 2008 was a taxing one for policymakers worldwide, and Namibia was certainly no exception. Without any doubt, the most important challenge was how to deal with the impact of the global economic crisis, which started off as a financial crisis in the sub-prime mortgage housing sector in the United States of America. While the financial crisis intensified in the second half of the year, the first half of 2008 was still characterised by robust demand conditions in fast-growing emerging markets and developing countries that supported commodity prices, with crude oil and food prices in particular reaching record highs. This created strong support for the so-called decoupling hypothesis, which advocates that growth in the emerging economies would be strong enough to prevent the world economy from going into a severe slowdown or recession.

By the middle of the year, it became clear that the decoupling hypothesis did not hold when the financial crisis spilled over into the real sector, first in the US and then to other economies around the world that depend to a large extent on the US market for their export products. As policies failed to restore confidence, the persistence of the financial crisis then caused asset values to fall sharply across advanced and emerging economies, decreasing household wealth and thereby suppressing consumer demand. In addition, the associated high level of uncertainty prompted households and businesses to postpone consumption and investment expenditure, reducing demand for consumer and capital goods. At the same time, widespread disruptions in credit have constrained household spending and curtailed production and trade. As a consequence of the suppressed demand, even dynamic, fast-growing economies such as China, India and Russia started to slow down. These factors in combination led to a significant fall in commodity prices.

It is against these difficult global economic conditions that the Bank of Namibia had to formulate appropriate monetary policies. This notwithstanding, the Bank's policy remained firmly directed at sustaining the currency peg in the interest of stable prices and sustainable economic growth. Apart from the challenges emanating from the international financial crisis, the Bank continued to execute other equally important functions pertaining to the foreign reserves, currency, banking, financial systems, and payment systems.

In the domestic economy, 2008 started off on a fairly pessimistic note with the threat of power failures and high and quickly rising fuel and food prices. With regard to the severe power shortages, the Bank had to review its initial growth projections for 2008 and the medium term, also taking into account the significant deterioration in the world economy. As a result, the Bank had to revise its initial projection of annual economic growth downward, from the 4.8 percent issued in January 2008, to the 3.9 percent projected in September 2008. As the global economic crisis deepened, it became increasingly clear that even a growth rate of 3.9 percent would not be realistic and by the end of the year the Bank further reduced the growth forecast to 2.7 percent, with the outlook for 2009 looking even more bleak.

Due to the lagged effect of the crisis, it is expected that Namibia will feel the brunt of the global economic crisis in 2009, with our export-oriented industries, including mining and tourism, expected to be the hardest hit. Eventually, through back and forward linkages, it is expected that there will be a general slowdown in economic activity during 2009, with growth predicted not to exceed 1 percent. On the bright side, it is expected that there will be less pressure from fuel and food prices, although it will take a while for the decline in international food prices to filter through to retail and, eventually, household level. Moreover, the depreciation of the Namibia Dollar, while beneficial for export-oriented industries, remains a significant upside risk to the price outlook in 2009.

On the positive side, it is comforting to note that Namibia's financial system, particularly the banking system, has been relatively insulated from the global economic crisis. Thanks to the Bank of Namibia's prudential requirements, especially as regards the local investment requirement, the restrictions on foreign currency exposure, and sound management, commercial banks remained more than adequately capitalised and non-performing loan ratios continued to be low during the year under review.

The Bank's monetary policy during the year can be described as neutral in the sense that the repurchase (repo) rate remained unchanged at 10.5 percent for most of the year, despite rising consumer price inflation and further monetary tightening by South Africa – our anchor currency country. It was only at its last policy meeting on 16 December 2008 that the Executive Committee decided to reduce the repo rate by 50 basis points to 10.00 percent. Our decision not to tighten the monetary policy stance for most of the year was influenced mainly by the good progress made in curbing the growth in private sector credit extension by the banking system, and the level of our international reserves, which were seen as more than sufficient to provide a cushion to sustain the currency peg.

Our decision in December to marginally ease the less accommodative monetary policy stance at the time was based on three key considerations: (1) the medium-term inflation outlook that pointed towards further price slowdowns; (2) the domestic demand that had been contained well and was in need of a measure of stimulation; and (3) the major uncertainties arising from the instability in international financial markets and their concomitant adverse effects on Namibia's economic performance. Moreover, there was no evidence of capital outflows despite the significant narrowing between interest rates in Namibia and South Africa, respectively.

Notwithstanding relatively weaker commodity prices, the Bank of Namibia was able to more than double its international reserves to N$12.7 billion by the end of December 2008, which equates to 4.8 months of import coverage. This was mainly on account of sizeable receipts from the Southern African Customs Union (SACU) revenue pool, while our prudent approach to manage the country's foreign investments and the continued favourable fiscal developments also contributed to our healthy reserves. Namibia's trade balance, however, moved into a deficit from a small surplus in the preceding year. With fuel accounting for almost 14 percent of Namibia's total imports, higher fuel prices started to exert significant upward pressure on Namibia's import bill during the year under review, although fuel prices subsided significantly during the last quarter.

The reporting period also saw a significant consolidation of Government's fiscal position, with yet another budget surplus registered for the 2007/08 fiscal year, and a further reduction of total debt as a ratio of gross domestic product (GDP). Due to significant risks on the horizon, including lower revenue collection as a result of growth that was weaker than anticipated in the face of the global economic crisis and further trade liberalisation, this positive situation is not expected to continue indefinitely. Nevertheless, past prudent fiscal policies have created the necessary fiscal space to better absorb some of the shocks associated with the global economic crisis.

During 2009, the Bank of Namibia continued to make good progress in the implementation of the Basel II framework, and remains largely on track in respect of meeting all the requirements of the Standardised Approach by the end of 2009. Good progress was made in improving the efficiency of the national payment system. This includes shortening the cheque clearing cycle, requiring all banking institutions to localise their core banking system, switching all credit and debit cards locally, and reactivating the operation of the Payment Association of Namibia (PAN). These actions were needed to enhance the efficiency and robustness of the national payment system, and strengthened the Bank's hand in respect of improving its oversight of the national payment system.

The Bank continues to participate actively in regional economic integration initiatives. In this connection, the Committee of Southern African Development Community (SADC) Central Bank Governors approved a draft model bill for SADC central banks, which, once approved and adopted by member countries, will harmonise the policy framework, governance and operations among SADC central banks. This is a necessary condition in preparing for monetary integration in the SADC region. Sadly, however, little progress was made in the context of economic integration with respect to achieving economic convergence among SADC member countries. This is noticeable in some member countries that have not yet met certain economic convergence targets, such as economic growth, inflation and public debt. In Namibia's case we are yet to achieve the targeted growth rates.

If we were to meet the United Nations' Millennium Development Goals, as well as those of Namibia's Vision 2030, efforts must be stepped up to significantly accelerate Namibia's growth potential. In this regard, macroeconomic stability, although a required condition, will not be enough to put Namibia on a higher sustainable growth trajectory. Equally important are micro reforms, including reducing the cost of doing business in Namibia, and a significant strengthening of the country's human capital resources. The Bank of Namibia remains committed to supporting Government's initiatives towards implementing national development goals through ensuring macroeconomic stability, providing appropriate economic policy advice and research, and engaging in regular policy debate.

At this juncture, I would also like to express my gratitude to the Members of the Board for their valuable input and continuing support. In particular, I wish to thank Dr Otto Herrigel, whose term expired in 2008, for his dedicated service to the Bank and to the country. For more than ten years, we all benefited greatly from Dr Herrigel's valued contributions to the Bank's affairs. At the same time, I would like to welcome two new Board Members – Mr Veston Malango and Dr Omu Kakujaha-Matundu – and look forward to working productively with them in the years to come. The Bank of Namibia remains committed to accountability to all Namibians and to fulfilling its mandate to promote the economic and financial welfare of Namibia and her people.

As in the past, I am equally thankful to external institutions for the valued technical assistance provided during the year, including, but not limited to, the International Monetary Fund (IMF), the World Bank, the US Treasury, the US Federal Reserve, and the Bundesbank.

Finally, I pay special tribute to all Bank of Namibia employees for stepping up to the plate in respect of the challenging times we faced in 2008. I am convinced that, with their continued dedication to find solutions in difficult situations, and with their commitment to excellence, we will be able to face the challenges in the years ahead. We continue to raise the profile of the Bank by building the required competencies among our staff, by enhancing our policy advisory and implementation capacity, and by extending our national and international networks. Through these efforts, I believe we will continue to make the Bank of Namibia the Centre of Excellence.

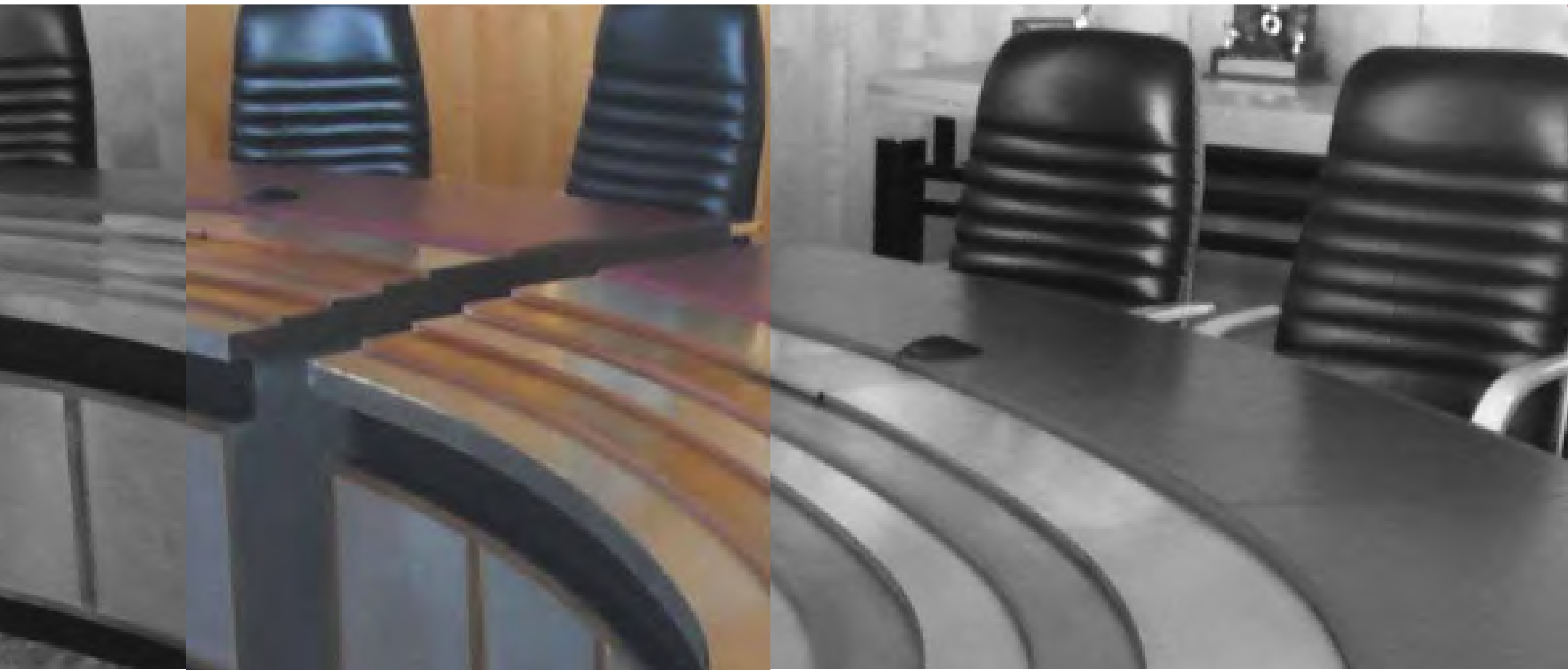
The highlights I have touched on here are described in greater detail in this Annual Report. I trust that all readers of this Report will find the information and material enriching and enlightening.

Tom K Alweendo
Governor
16 March 2009

PART A

OPERATIONS AND AFFAIRS OF THE BANK

Report Prepared Pursuant To Section 52(1)(b) of The Bank Of Namibia Act



PART A

OPERATIONS AND AFFAIRS OF THE BANK

THE BOARD OF THE BANK OF NAMIBIA
(AS AT 31 DECEMBER 2008)

Mr. C-H.G. Schlettwein
Member (Ex Officio) since 28 April 2003
(Permanent Secretary: Finance)

Dr N.K. Shivute
Member since 1 August 2007
Current term ends 31 July 2012
(Member of the Audit Committee)

Mr. F.G. Kisting
Member since 14 July 1998
Current term ends 31 July 2013
(Chairperson of the Audit Committee)

Ms O Netta
Member since 1 February 2007
Current term ends 31 January 2012
(Chairperson of the Remuneration Committee)

Mr. T. K. Alweendo
Governor since 1 January 1997
Current term ends 31 December 2011
(Chairperson of the Board)

Mr V Malango
Member since 1 April 2008
Current term ends 31 March 2013
(Member of the Audit Committee and the Remuneration Committee)

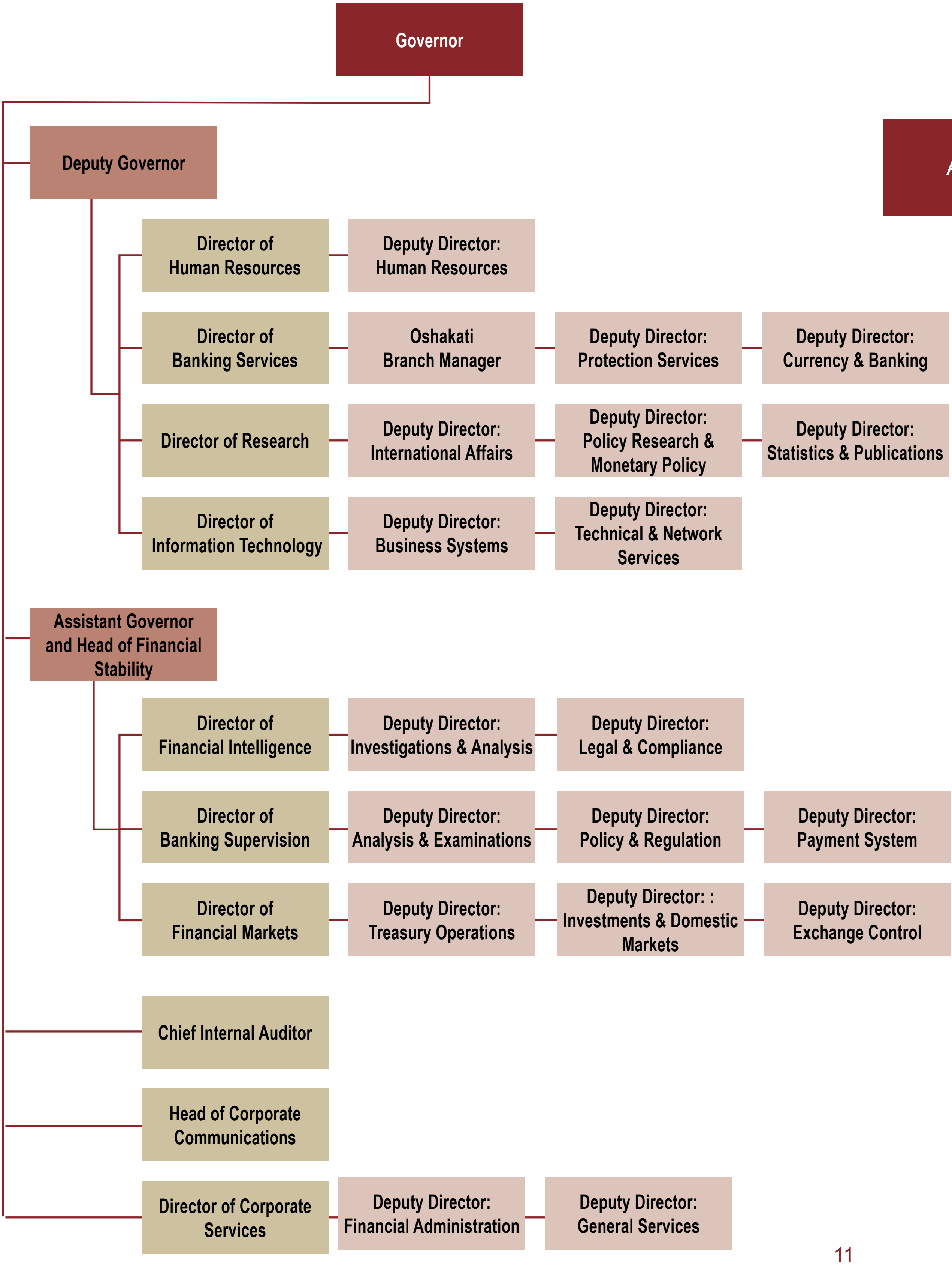
Mr. P. W. Hartmann
Deputy Governor since 1 August 2002
Current term ends 31 December 2011

Dr O Kakujaha-Matundu
Member since 1 November 2008
Current term ends 31 October 2013
(Member of the Remuneration Committee)

Board Member whose term ended in 2008: Dr OFC Herrigel
Member since 1 February 1998, term ended 14 July 2008

THE BANK'S ORGANISATIONAL STRUCTURE

Bank of Namibia - Management Stucture
31 December 2008



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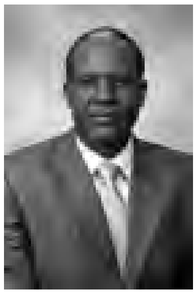
THE BANK'S SENIOR MANAGEMENT TEAM



Mr. T. K. Alweendo
Governor

Mr. P Hartmann
Deputy Governor

Mr. I Shiimi
Assistant Governor & Head of Financial Stability

Mr.S Hamunyela
Director of Corporate Services

Mr. M Ickua
Director of IT

Dr. J Steytler
Director of Research

Ms. L Namoloh
Director of Banking Services

Mr. B Biwa
Director of Financial Markets

Mr. M Mukete
Director of Banking Supervision

Ms. L Dunn
Director of Financial Intelligence

Ms. H Badenhorst
Head of Corporate Communications

Mr. M Rittmann
Chief Internal Auditor

Ms B //Gowaseb
Director of Human Resources

GOVERNANCE, ACCOUNTABILITY AND COMMUNICATION

OBJECTIVES, AUTHORITY AND ACCOUNTABILITY OF THE BANK

The Bank of Namibia is the central bank of the Republic of Namibia, created under Article 128(1) of the Constitution of the Republic of Namibia. The following statutory objectives of the Bank are recorded in section 3 of the Bank of Namibia Act, 1997:

- To promote and maintain a sound monetary, credit and financial system in Namibia and sustain the liquidity, solvency and functioning of that system
- To promote and maintain internal and external monetary stability and an efficient payments mechanism
- To foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development of Namibia
- To serve as the Government's banker, financial advisor and fiscal agent, and
- To assist in the attainment of national economic goals.

The Bank is further entrusted to carry out three additional functions:

- Banking supervision
- Administration of exchange control, and
- Combating of money laundering.

In terms of section 3B of the Act, the Bank performs its functions independently, provided that there are regular consultations between the Minister and the Governor.

In addition to the Bank of Namibia Act, the Bank administers five other laws, as follows:

- The Currency and Exchanges Act, 1933 (No. 9 of 1933)
- The Prevention of Counterfeiting of Currency Act, 1965 (No. 16 of 1965)
- The Building Societies Act, 1986 (No. 2 of 1986)
- The Banking Institutions Act, 1998 (No. 2 of 1998)
- The Payment System Management Act, 2003 (No. 18 of 2003), and
- The Financial Intelligence Act, 2007 (No. 3 of 2007).

The stated objectives of the Bank and the relevant enabling legislation provide the Bank considerable policy and regulatory authority, and this authority assigns complex and numerous responsibilities to the Bank.

In addition to national laws, the Bank is given certain obligations resulting from Namibia's participation in regional and international treaties, such as the African Union, the Common Monetary Area (CMA), SADC, the International Monetary Fund (IMF), and the World Trade Organisation (WTO).

The financial relationships between the Government and the Bank are specified in a Memorandum of Understanding (MOU), which is a written contract between the Minister of Finance and the Governor of the Bank of Namibia. The MOU covers the terms and conditions of banking services rendered to Government, public debt management arrangements, and the nature and frequency of consultations.

Apart from its statutory mandate, the Bank's actions and the way it carries out its mandate are distinctly guided by its Mission Statement (or Corporate Charter). The Charter is not merely a guideline: section 3A of the Bank of Namibia Act expressly requires the Bank to have a Mission Statement clearly spelling out the main purpose and vision of the Bank, based on its objects. Therefore, the Corporate Charter, which is presented page 3 of this report, defines the Bank's vision, i.e. what it strives to be; its mission, i.e. what it wants to achieve; and its values, i.e. how it wishes to operate.

THE GOVERNOR

The Bank of Namibia Act makes the Bank's Chief Executive, the Governor, accountable for the Bank's actions. In monetary policy and in most other matters, the decision-making authority resides with the Governor. The Governor is appointed for a five-year term. The Act sets specific criteria for the appointment, reappointment and dismissal of a Governor. The current incumbent, Mr Tom Alweendo, assumed office in January 1997 and was reappointed for a further five-year term, which will expire in December 2011.

THE BOARD OF THE BANK OF NAMIBIA

The Board of the Bank of Namibia is responsible for the policy, internal control, risk management, and general administration of the Bank. The Board consists of Executive and Non-executive Members. The Governor (Chairperson) and the Deputy Governor are its Executive Members, while the Permanent Secretary of Finance (who is an ex officio member), one staff member from the Public Service, and four other persons constitute its Non-executive Members. All Board Members are appointed by the President of the Republic of Namibia. The Assistant Governor also attends Board Meetings in an advisory capacity. At the end of 2008, all positions on the Board had been filled. Board Members who served during the year under review appear on page 10 herein.

The Board meets regularly – at least four times a year – with the main purpose of overseeing and monitoring the finances, operations and policies of the Bank. During 2008, four ordinary and two extraordinary Board meetings were held, while one resolution was taken on a round-robin basis. Board Members have the typical fiduciary duties that most board directors normally fulfil, but are also charged with many high-level responsibilities directly related to the policies and operations of the central bank, including approving the licensing of banking institutions and ensuring the adequacy of international reserves.

The Board has formed two Committees, namely the Audit Committee and the Remuneration Committee, both of which provide effective communication between the Board and management.

The Audit Committee is responsible for evaluating the adequacy and efficiency of the Bank's corporate governance practices, including internal control systems, risk control measures, accounting standards, information systems, and auditing processes. Three Non-executive Board Members currently serve as Members of this Committee, whose meetings are also attended by the Bank's Chief Internal Auditor, the external auditor, and relevant staff members.

The Remuneration Committee, on the other hand, is responsible for overseeing and coordinating the Bank's remuneration function and for ensuring that remuneration is fair and equitable, in order to attract and retain quality staff and Board Members. This Committee comprises three Non-executive Board Members.

REPORTING OBLIGATIONS

In terms of the Bank of Namibia Act, the Bank is required to submit a copy of this Annual Report to the Minister of Finance within three months after the close of each financial year. The Minister, in turn, is obliged to table the Annual Report to the National Assembly within 30 days after having received it. According to the Act, the Report is obliged to contain the Bank's annual accounts as certified by external auditors, information about the Bank's operations and affairs, and information about the state of the economy. The Annual Report is widely distributed to domestic and foreign stakeholders, while various presentations are given to convey its main messages.

Apart from the Annual Financial Statements, the Bank's monthly Balance Sheet is required to be submitted to the Minister, and published in the Government Gazette every month.

In accordance with section 40 of the Bank of Namibia Act, the Bank renders advice and furnishes reports to the Minister of Finance on any economic or financial matter that the Minister may refer to the Bank for investigation and advice, and on any matter that may prevent the Bank from achieving its objects or hinder the performance of its functions.

When the Government or any governmental bodies or institutions intend to borrow from any source in a foreign country, they are required, before entering into any commitment to borrow, to seek the Bank's opinion regarding the timing, terms and conditions, and financial expediency of the intended borrowing.

While the Governor is not obliged to appear before any Parliamentary Committee, the Bank initiates regular briefings and consultations with appropriate Standing Committees of the National Assembly and National Council on a variety of policy-related subjects.

MANAGEMENT STRUCTURE

The Bank's senior management team is made up of the Governor, the Deputy Governor, the Assistant Governor, and the Heads of the Bank's various Departments, as outlined on page 12. The positions of Governor and Deputy Governor are required by statute. The Assistant Governor also takes on the responsibility of Head of Financial Stability.

The Bank's Executive Committee (EC) is chaired by the Governor and attended by the Deputy Governor, the Assistant Governor, and the

Directors of Research, Banking Supervision and Financial Markets. The EC meets monthly to consider and debate issues that have economic policy implications, including reserve management and monetary policy. Every second month, the EC deliberates on an appropriate monetary policy stance to be pursued by the Bank. The EC makes its monetary policy decision known publicly through a press statement and conference. All monetary policy decisions taken by the EC are by consensus. The EC also reviews the level and adequacy of Namibia's foreign exchange reserves. While the International Reserves Management Policy is approved by the Board, the EC is permitted to review the investment guidelines for final approval by the Governor. The EC is also required to ensure that investments comply with the approved policy.

The Bank's Management Committee (MC) is chaired by the Governor in cases where issues of a policy nature are considered, or by the Deputy Governor in cases where operational and risk management issues are considered. Also in attendance are the Assistant Governor, all Directors, the Chief Internal Auditor, and the Head of Corporate Communications. The MC meets every two weeks.

COMMUNICATION

The Bank continues to enhance the transparency of its activities and makes a concerted effort to ensure the best possible communication with financial markets, business enterprises, and the general public. The Bank also makes a point of creating a favourable and accurate public perception about its functions as the central bank and the reasons behind certain policy decisions. Transparency in decision-making supports the principle of accountability, and increases the effectiveness of monetary and other policy decisions. Accordingly, the Bank has an extensive programme of communication.

The Bank's success largely depends on individuals or groups whose behaviour impacts on its performance. Conversely, the Bank also realises that its own actions or decisions have an effect on such individuals and groups. Therefore, it is of utmost importance that the Bank nurtures, builds, strengthens and maintains these relationships. During the past year, the Bank actively engaged with various stakeholders through specific communication efforts, including events such as the Annual Symposium, the Governor's Annual Address, and various press conferences. The Bank also used tools and channels such as the website, intranet, press releases, and internal newsletters. These efforts not only support the building of stronger relationships with external stakeholders, but also with Bank staff.

In order to cater for informing the public about policy decisions, economic developments and other relevant events, the Bank produces a wide range of publications during the year. Among these are the following principal issues:

- The Bank of Namibia's Quarterly Bulletin contains a full set of data covering the real sector, monetary and financial developments, public finance, and the balance of payments. The Bulletin also gives a description of developments in these areas and features articles on a variety of topics.
- The Financial Stability Review, published every six months, gives a detailed assessment of the overall condition of Namibia's financial system and highlights potential risks and vulnerabilities that could threaten the stability of the system.
- During the Governor's Annual Address given on 6 November 2008, the Bank formally launched its Monetary Policy Framework. This publication assembles all aspects of the country's monetary and exchange rate management practices into a single reference document. Issuing this Framework was particularly necessary because the targets, the process, the transmission, and the instruments of monetary policy formulation and implementation in Namibia have often been misconstrued. In addition, the Framework now serves as an internal reference guide to the process of monetary policy formulation and implementation.

The Bank's monetary policy communication strategy is aimed at developing support amongst relevant stakeholders for the Bank's Monetary Policy Framework, as well as for its decisions and actions. Currently, the Bank conveys its monetary policy stance through a press conference and special interviews with the media. Because the Bank felt that this communication approach was insufficient, it decided that, as from 2009, a more extensive analysis of the monetary policy formulation and implementation was to be published by way of the Monetary Policy Review. This publication will convey a brief account of the state of the economy, the inflation outlook, and an explanation of the Bank's monetary policy decisions. In addition, the Bank will introduce monetary policy forums beyond the capital city in 2009 in order to publicise and explain the motivations behind monetary policy decisions.

THE YEAR IN REVIEW

The Bank identified seven strategic objectives to be pursued during the five-year period from 2007 to 2011. The Bank's strategic objectives are directly linked to its functional priorities, its mission and its vision, as well as to developments in the internal and external environment. In pursuit of its five-year strategic objectives, the Bank determined appropriate strategies for each such objective. In reviewing the activities during 2008 in this report, these seven strategic objectives are highlighted, along with the initiatives and strategies associated with them. This section emphasises key actions and activities undertaken during the course of the year in pursuit of each strategic objective.

FINANCIAL SYSTEM STABILITY

Strategic objective 1:
Safeguard and enhance financial stability by preventing risks that might have a negative impact on the integrity of the financial system.

Initiatives and strategies

- Promote financial integrity
- Supervise deposit-taking institutions
- Oversee the domestic payment and settlement system
- Combat money laundering
- Provide sufficient quality, quantity and security of currency to meet demand in the economy
- Regularly assess the stability of the financial sector

Confidence in a smoothly operating financial system is essential to the functioning of our economy and, hence, our welfare. The deepening of the international financial crisis has strongly reinforced the need for central banks to have policies in place that are able to mitigate the effects of such crises and restore the health of the financial system. It is essential that central banks adopt a macro-financial stability approach. In the pursuit of both price stability and financial stability, central banks and financial supervisors are urged to cooperate more closely to help reduce the pro-cyclicality of the financial system by using both monetary and macro-prudential policies.

The Bank has doubled its efforts to understand the causes and effects of the ongoing financial crisis and to assess its actual and potential impact on the Namibian economy. Public debates and reports in which the Bank was involved have also assisted in explaining the origin of the crisis and its impact on Namibia. The Bank continues to emphasise financial system stability by examining the entire financial system from a macro-prudential perspective. This approach takes many forms, including regularly assessing the stability of the financial system, ensuring that the banking system is prudently managed through dedicated supervision, safeguarding the integrity and efficiency of the national payment system, and instituting rigorous anti-money-laundering practices along with ways to combat the financing of terrorism.

FINANCIAL STABILITY ASSESSMENT

The Bank issued two *Financial Stability Reports* during the year under review. Both Reports aimed to inform the public as to whether or not there were any stability concerns in the Namibian financial system. A financial system is regarded as stable if it is able to perform its key macroeconomic functions well, even in stressful situations and during periods of structural adjustment. Therefore, the financial system should be able to allocate financial resources and risks efficiently and effectively, and safeguard the robustness of the payment and settlement systems. Ideally, a financial system is sufficiently robust if it is able to absorb financial and real economic shocks.

Both Financial Stability Reports drew attention to the global financial crisis and its concomitant impact on the functioning and performance of the Namibian financial system. The main conclusion reached was that our system had been affected by the turmoil and volatility in international financial markets, but only indirectly. Nonetheless, the system had displayed sufficient resilience to safeguard financial stability in the country. While the insurance and pension fund industry had suffered some investment losses due to the collapse in global stock markets, the banking industry had not been affected directly by the crisis.

BANKING SUPERVISION

The Bank made significant strides with the **Basel II project** by achieving key milestones. The draft Determinations on Credit, Market, and Operational Risks as well as the Market Disclosure Requirements were signed off by all banking institutions. This was followed by consultative sessions with all these institutions, which resulted in the finalisation of a draft consolidated Capital Adequacy Determination, together with its complementary statutory returns and instructions for completion. In addition, a readiness assessment and gap identification exercise was successfully completed by all banking institutions. The purpose of these was to gauge the current status and possible mismatch between the risk management practices within the banking industry relative to the Basel II proposals.

Following the findings of the IMF's Financial Sector Assessment Program in 2006 that Namibia was not fully compliant with some of the 25 **Basel Core Principles** for Effective Banking Supervision, the Bank conducted a gap analysis to identify the regulatory areas that required further strengthening. This process was completed in mid-2008. The next step is to review the existing regulations and draft new ones where necessary in order to move towards full compliance by 2010. To this end, the Bank commenced with drafting the affected regulations, which process is expected to culminate in 2009.

As the licensing authority of banking institutions in Namibia, the Bank undertakes to ensure that only sound banking institutions are permitted to operate in the country. In this respect, the Bank subjects all **banking licence applications** to the rigorous licensing criteria prescribed under the Banking Institutions Act, 1998 (No. 2 of 1998).

The year under review also saw the Bank handling four applications for banking licences – all from foreign institutions. The applications were assessed in line with the provisions of section 11 of the Banking Institutions Act. Three of the bids were unsuccessful since they did not meet the minimum licensing requirements. The remaining application, namely by Absa Holdings South Africa, was granted a six-month provisional licence that will run until the end of the first quarter of 2009, in order to allow the company time to establish a subsidiary in Namibia.

PAYMENT SYSTEMS OVERSIGHT

Effective payment system oversight is an essential element in achieving the public policy objective relating to the safety and efficiency of the National Payment System (NPS). In addition, effective oversight ensures the financial and technical integrity of the NPS, including its overall robustness against systemic shocks together with its overall efficiency, accessibility and cost-effectiveness through rules, standards, monitoring, analyses and enforcement.

In terms of the Payment System Management Act, 2003 (No. 18 of 2003) the Bank has the power to oversee, inspect and monitor the NPS, the operation of the Payments Association of Namibia, system participants, and service providers. The Bank carried out a number of oversight activities during the year under review, in promoting a safe and efficient NPS.

In March 2008, the Bank issued a *Directive on a five-day cheque clearing cycle*. The instructions obliged all banking institutions, including the Bank of Namibia itself, to implement the necessary operational and infrastructure changes to ensure a five-day clearing cycle. All institutions had complied with this Directive by April 2008, reducing the cycle to 5 days nationwide. This has meant that, within five working days after depositing a cheque, bank customers will have access to their funds on their bank accounts anywhere in the country. This was a major improvement on the previous situation where, in many remote areas, the clearing time could take more than ten days.

With the implementation of the NPS reform project, it was realised that shared information technology (IT) infrastructure and banking systems with parent companies in South Africa could introduce constraints contributing to operational and systemic risks for banking institutions operating in the Namibian NPS. Consequently, the Bank issued a *Determination on the localisation of core banking systems* in August 2008, with which all banking institutions are required to comply by the end of 2009. The *Determination* lays down the requirements for the localisation of banking institutions' core banking systems in Namibia. Localisation of all fault-tolerant core banking systems will facilitate the Bank's access to accounting and other banking records. In addition, it will contribute to ensuring the efficiency and safety of the NPS, and support effective payment system oversight and banking supervision.

Since its inception in 2005, the Payment Association of Namibia (PAN) has been faced with many challenges which have hindered its operational functioning, and prevented it from fully bearing its responsibilities as envisaged in terms of the Payment System Management Act. The current PAN management and working committees consist of staff employed on a full-time basis at various banks, making it difficult for them to devote enough time and attention to PAN activities. A lack of funds and a proper operational budget were additional obstacles. Therefore, in 2008, the Bank and the Bankers' Association of Namibia agreed on certain interim arrangements, which aimed to ensure that PAN could fulfil its mandate under the Payment System Management Act speedily and effectively. As an interim arrangement, the Bank has taken over the Chairpersonship and Secretariat function of PAN. Also, the Bank has seconded an employee on a full-time basis to the PAN office, which is now located at the Bank of Namibia. The Bank of Namibia, on the one hand, and the banking institutions, on the other, each carry half of PAN's operational budget. By way of this interim arrangement, the Bank will enable PAN to function efficiently and effectively.

As part of the payment system oversight function, during August 2008, the Bank conducted an on-site inspection of Namclear in the clearing and settlement environment. The on-site oversight visits generally entailed assessing Namclear's systems, including –

- business continuity planning (BCP) and disaster recovery (DR) arrangements
- understanding the day-to-day operations and level of customer support
- verifying that service-level agreements are in place, and
- assessing the safety, efficiency and effectiveness of Namclear's clearing and operational capabilities.

The analysis and findings of the on-site inspection showed that Namclear's day-to-day operations and operational performance appeared sound. With a fully operational BCP/DR facility in place, Namclear's operational risk has been significantly mitigated. Generally, Namclear staff members have the necessary skills and experience. Most of its staff are recruited from banking institutions, and have many years of practical experience within the clearing and settlement environment. The financial aspects of Namclear also appear sound. Namclear revenue is derived from charges levied on transactions processed; thus, Namclear is sensitive to changes in transaction volumes. Although the volumes in cheque clearing are declining, Namclear is achieving volume increase in the electronic funds transfer (EFT) payment stream, which is the direct result of the EFT Directive issued by the Bank in December 2007. With the implementation of Namswitch in April 2008, marginal increases in volumes processed are envisaged as well.

Historically, the switching of Namibian domestic card transactions was performed by Saswitch as an integral part of the South African clearing and settlement process. In April 2008, the Bank issued a Directive requiring all companies and banking institutions to implement certain system and infrastructure changes to facilitate the switching of Namibian domestic inter-bank card transactions through Namclear for settlement in the Namibian Interbank Settlement System (NISS). On 21 April 2008, the Namibian banking industry established a local switch, Namswitch, and on that date all Namibian inter-bank Automated Teller Machine (ATM) card transactions began switching through Namswitch and were settled in the NISS. This was followed by switching of point-of-sale (POS) terminal card transactions in November 2008.

Similarly, during August 2008, the Bank conducted an assessment of the NamPost Smartcard scheme in terms of the Bank's Determination (PSD1) on issuing payment instruments. The assessment found that the Smartcard scheme was well manage in terms of operational and financial risks. Generally, the scheme had met the minimum requirements laid down in the Determination. By the end of 2008, NamPost Ltd had issued 110,844 Smartcards, with a total electronic money value of N$213.1 million. Smartcards are used to undertake retail transactions at various retailers across the country. In 2008, a total of 4,000 transactions were captured at 554 POS terminals, with total value of N$422 million. However, the interoperability of these POS devices with those of the banking institutions remains a concern to the Bank.

Operational vulnerabilities contribute various risks to payment systems, which may lead to disruptions that could affect the stability of financial markets and undermine public confidence. Therefore, as part of its core activities, the Bank continues to emphasise the operational robustness, security, timeliness and contingency planning of systemically important payment systems, coupled with the ongoing requirement to localise core banking systems.

The overall assessment is that the systems comprising the NPS in Namibia performed satisfactorily in 2008. All payment systems showed resilience and proved to be sufficiently robust to enable both high value and retail payment transactions to be processed without causing any major disruptions.

FINANCIAL INTELLIGENCE

The Financial Intelligence Centre (FIC) is established within the Bank of Namibia and is fully capacitated with professional staff that are qualified and experienced to deal with the challenges brought about by the Financial Intelligence Act, 2007 (No. 3 of 2007) (FIA).

The FIC has a current staff component of ten. The primary objective of the FIC is to combat money laundering by requiring, amongst others, that –

- all accountable institutions and supervisory bodies, as listed in Schedules I and II of the FIA, know their

customers by conducting effective Customer Due Diligence, and that they report their suspicions to the FIC about transactions that might involve the proceeds of crimes
- the FIC receives Suspicious Transaction Reports (STRs) from such accountable institutions and supervisory bodies, conducts analyses on such reports, and disseminates financial intelligence packages to law enforcement agencies for further investigation and prosecution, and
- accountable institutions and supervisory bodies comply with FIA provisions and take such enforcement or administrative actions as prescribed by the FIA in instances where non-compliance with such provisions occurs.

The FIC, as highlighted above, is tasked with detecting, investigating and prosecuting instances of money laundering and proceeds of crime. With the complementing provisions of the Prevention of Organised Crime Act, 2004 (No. 29 of 2004) (POCA), it has as its ultimate objective the removal of proceeds of crime from the Namibian financial sector, as well as removal of the benefits derived by those who directly and/or indirectly gain from the commission of crime. Without laws such as POCA and FIA, the proceeds of crime will run rampant in the financial sector and could result in serious economic and social consequences for the country. Some such consequences could include an increase in financial crime and corruption; loss in tax revenue; economic distortion and instability; and loss of investor confidence in the financial sector.

The year 2008 was one of building foundations for the FIC. In an effort to commence operations, FIC staff dedicated considerable time and effort to stakeholder training and education; the acquisition of assets and equipment; the drafting of policy and procedure manuals; and the finalisation of regulations, exemption notices, determinations and guidance notes that complement the provisions of the FIA.

The year kicked off with the provision of training to accountable institutions and supervisory bodies during the months of February and March 2008 on their compliance duties under the FIA. The sessions were attended by representatives of the securities, insurance and banking industry, whilst specialised training was simultaneously given to supervisory bodies such as the Namibia Financial Institutions Supervisory Authority (NAMFISA), the Banking Supervision Department of the Bank of Namibia, and the Law Society of Namibia, on regulatory duties and responsibilities under the FIA.

In May 2008, the Bank held a World-Bank-sponsored training workshop attended by 85 countries from the eastern and southern African regions. The theme of the workshop was the enhancement of capacity-building on matters relating to the combating of money laundering and terrorist financing.

The period March–October 2008 was highlighted by various training courses and workshops for all key domestic stakeholders, predominantly law enforcement agencies. Participants were exposed to important concepts relating to money laundering, basic financial analysis and investigation techniques, computer training, and financial investigation methodologies. This training was also made possible through the generous assistance of the World Bank, which led to Namibia becoming the first country in the eastern and southern African regions to have certified Money Laundering Trainers of Trainers on board in all key law enforcement agencies and financial regulatory bodies.

In June 2008, the Bank further partnered with the United Nations Office on Drugs and Crime (UNODC) to offer training for Senior Judges of the High and Supreme Court of Namibia on money laundering, the proceeds of crime, and asset forfeiture under the FIA and POCA. Through these training efforts, the Bank has ensured that both law enforcement agencies and courts have sufficient capacity to deal with the challenges brought about by hearing and adjudicating on complex financial crimes. During July 2008, in conjunction with the US Treasury's Office of Technical Assistance and the UNODC, the Bank hosted a week-long training session for prosecutors and senior Police Officers on asset forfeiture under POCA.

The year under review was further highlighted by the Bank acquiring an anti-money laundering software application – trade named *GoAML™* – for the FIC. GoAML is a comprehensive application, with the capacity to store STRs submitted to the FIC and conduct preliminary analyses of such reports. Namibia is being recognised by the UNODC as one of the first countries in the world to successfully install and use this application. The Bank has already received an invitation to make a presentation at the EGMONT Group of Financial Intelligence Units[1] on the use and effectiveness of the GoAML application.

In December 2008, the Bank finalised the FIA Regulations, which are now ready for gazetting. Moreover, Guidance Notes on the following subjects were finalised:
- STRs
- "Know Your Customer"
- "Customer Due Diligence", and
- "What is meant by transactions when applied to non-banking institutions?".

Once money laundering has been criminalised by the commencement of the POCA, the Bank will officially open the doors of the FIC to execute its statutory functions.

[1]A group of Financial Intelligence Units at the Egmont Arenberg Palace in Brussels decided to establish an informal group for the stimulation of international co-operation in 1995. Now known as the Egmont Group, these FIUs meet regularly to find ways to cooperate, especially in the areas of information exchange, training and the sharing of expertise.

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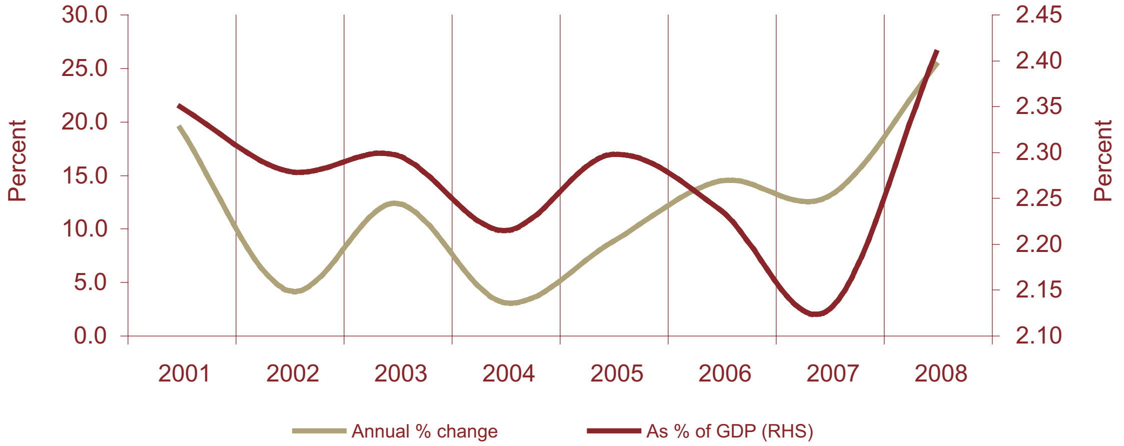
CURRENCY OPERATIONS

One of the Bank's core functions is to issue the national currency. This function requires the Bank to arrange for the printing of banknotes and the minting of coins, and to ensure a sufficient quantity, acceptable quality, and security of the national currency. During the year under review, no banknotes were reprinted as the supplies received in the previous year were sufficient to meet demand.

The annual growth in the value of currency in circulation outside the central bank showed a particularly sharp increase, namely from 12.8 percent at the end of 2007 to 25.2 percent at the end of 2008. Also in relation to GDP, the currency in circulation accelerated moderately from 2.13 percent in 2007 to an estimated 2.41 percent in 2008. Chart A.1 depicts the annual change in currency in circulation and the ratio of currency to GDP between 2002 and 2008. Both trends depicted confirm the sharp rise in currency growth during 2008. The reasons for this above-average growth could be sought in factors such as rising inflation, vigorous cash-based trade along the country's northern border with Angola, and a reduced influx of Rand currency in Namibia.

Chart A.1: Currency in circulation



During the year, the Bank replenished 50 cent and N$1 coins as part of its currency replenishment programme. There has been a particularly strong demand for these two denominations over the last two years.

All banknotes deposited by commercial banks at the Bank are subject to authentication and sorting into quality categories, such as Unfit, Fit and Super-fit. Banknotes that no longer meet the Bank's fitness criteria are withdrawn from circulation and destroyed. In 2008, a total of 25.7 million banknote units were withdrawn from circulation and destroyed, compared with 24.0 million units in 2007. During the year under review, the Bank considerably improved the banknote sorting operations, with the number of unsorted banknotes declining from 9.2 million at the end of 2007 to 4.9 million at the end of 2008.

The respective values and volumes of banknotes in circulation at the end of 2007 and 2008, respectively, are shown in Table A.1.

Table A.1: Composition of currency in circulation (outside the Bank of Namibia) at year end

Denomination	2007		2008		Change in value (%)
	Value (N$ million)	Volume (million)	Value (N$ million)	Volume (million)	
5c coin	3.86	77.15	4.24	84.89	10.0
10c coin	7.17	71.67	7.72	77.20	7.7
50c coin	6.97	13.94	7.72	15.45	10.8
N$1 coin	44.95	44.95	50.78	50.78	13.0
N$5 coin	25.10	5.02	28.36	5.67	13.0
All coins	**88.05**	**212.73**	**98.83**	**234.00**	**12.3**
N$10 note	55.85	5.59	59.29	5.93	6.2
N$20 note	97.19	4.86	101.07	5.05	4.0
N$50 note	161.09	3.22	178.71	3.57	10.9
N$100 note	805.37	8.05	1,047.22	10.47	30.0
N$200 note	116.20	0.58	171.80	0.86	47.9
All notes	**1,235.70**	**22.30**	**1,558.10**	**25.89**	**26.1**
TOTAL	**1,323.75**	**235.03**	**1,656.93**	**259.89**	**25.2**

In terms of volumes, the number of notes and coins in circulation rose from 12.8 percent in 2007 to 25.2 percent in 2008. At the end of 2008, the number of coins rose to 234.0 million units, up from 212.7 million units the previous year, while the number of notes rose to 25.9 million units from 22.3 million over the same period. In 2008, all currency denominations increased their circulation, while a particularly strong increase was recorded in the circulation of the N$100 and N$200 notes, with respective increases of 30 and 48 percent.

The N$100 note remains the most popular among the notes, with a circulation of 10.5 million units. These notes account for 40.5 percent of the volume and 67 percent of the value of all notes in circulation. The 5c piece has the highest circulation among the coins, with close to 85 million units. This represents 36 percent of the volume and 4.3 percent of the value of all coins in circulation at the end of 2008.

In accordance with the Bilateral Monetary Agreement with South Africa, the Bank is required to repatriate South African Rand notes that are deposited at the Bank back to South Africa. Rand notes continue to come into circulation in Namibia, mainly as a result of foreign trade and tourism. The Rand currency that enters the country does not circulate widely in Namibia, as it is quickly absorbed by banking institutions and then deposited at and repatriated by the Bank of Namibia (in the case of Rand notes) and by banking institutions (in the case of Rand coins). Rand repatriation and the Namibia Dollars in circulation are compared in Table A.2.

Table A.2: Rand repatriation and Namibia Dollars in circulation

Calendar year	Value of Rand repatriated		Increase in value of N$ in circulation	
	R million	Change in stock (%)	N$ million	Change in stock (%)
2002	220.0	-8.3	32.0	4.1
2003	338.1	53.7	99.7	12.2
2004	396.7	17.3	26.9	2.9
2005	512.6	29.2	81.1	8.6
2006	749.7	46.3	146.5	14.3
2007	1,125.0	50.1	150.4	12.8
2008	974.8	-13.4	333.2	25.2

In 2008, there was a 13.4 percent reduction in the value of Rand notes repatriated to South Africa. This reduction contrasts the situation in the preceding years when Rand repatriation had been growing at remarkably strong rates. However, in terms of absolute values, the value of Rand banknotes repatriated (R975 million in 2008) still exceeds the increase in the value of Namibia Dollar in circulation (N$333 million in 2008).

The number of counterfeit Namibia Dollar banknotes increased from 83 units in 2007 to 118 in 2008, which is an increase of more than 42 percent. While the absolute number of counterfeits is relatively low, the ratio expressed per million of notes in circulation is steadily growing. Table A.3 presents the number and breakdown of counterfeit Namibia Dollar notes reported between 2005 and 2008. No incidents of coin counterfeiting have been reported.

Table A.3: Counterfeit Namibia Dollar banknotes

Denomination	Number of counterfeit banknotes detected				Counterfeits per million notes, 2008
	2005	2006	2007	2008	
N$10	0	0	0	16	2.70
N$20	4	15	5	12	2.37
N$50	8	11	23	38	10.63
N$100	14	20	7	34	3.25
N$200	16	24	48	18	20.96
Total	42	70	83	118	n/a[2]
Counterfeits per million notes	**2.43**	**3.70**	**3.72**	**4.56**	**n/a**

Counterfeiters seem to target the N$50 note, judging by the volumes, but the threat of counterfeiting the N$200 note appears more serious when related to the number of that denomination in circulation.

[2]Not applicable.

MONETARY POLICY FORMULATION AND STANCE DURING THE YEAR

Strategic objective 2:
Promote price stability

Initiatives and strategies
- Improve economic data management and statistical analyses
- Pursue monetary policy in accordance with Monetary Policy Framework

Monetary policy formulation in Namibia is underpinned by the fixed currency peg between the Namibia Dollar and the South African Rand under the CMA Agreement. Through sustaining the currency peg, the Bank of Namibia envisages importing stable and low prices to enable it to achieve its ultimate objective of price stability, which is necessary for sustainable economic growth. Key conditions for sustaining a currency peg in the context of the free flow of capital between Namibia and the anchor currency country, South Africa, are the need to have sufficient international reserves to back at least the amount of currency in circulation and the need to harmonise short-term interest rates to minimise potential disruptive capital flows.

During the year under review, the Bank of Namibia launched its Monetary Policy Framework, and made it available on the Bank's website. Salient features of the Framework include institutional set-up, monetary and operational targets as well as communication principles.

The Bank of Namibia's EC held six monetary policy meetings during the year. Notwithstanding rising inflationary pressures, the EC decided to keep the repo rate unchanged at 10.5 percent during the first five meetings in 2008, and only reduced the rate to 10.0 percent during its last meeting in December 2008. Prior to the decisions on its monetary policy stance, the EC considered both domestic and international economic developments, including the near-term inflation forecast and the various risks in the domestic and international environment.

In this connection, there were encouraging signs that the outlook for global inflationary pressures had improved significantly, particularly towards the end of 2008, on the back of a continuous decline in oil prices and its subsequent effect on fuel prices. Global inflationary pressures since 2006 have largely been driven by two interrelated exogenous factors, namely high fuel and food prices. This posed a challenge for monetary authorities worldwide, especially in countries that had experienced a significant slowdown in economic activity. On the one hand, rising inflationary pressures suggested that policy should be tightened to anchor prices, while on the other, too much monetary tightening could push economies further into recession, while it was also questionable if monetary policy was the right tool to fight price pressures from exogenous sources. Towards the end of the year, it became clear that the world economy was facing a significant slowdown, with most advanced economies sliding into recession. As a result, even staunch inflation fighters shifted their focus from fighting inflation to various types of stimuli – including a more relaxed monetary policy.

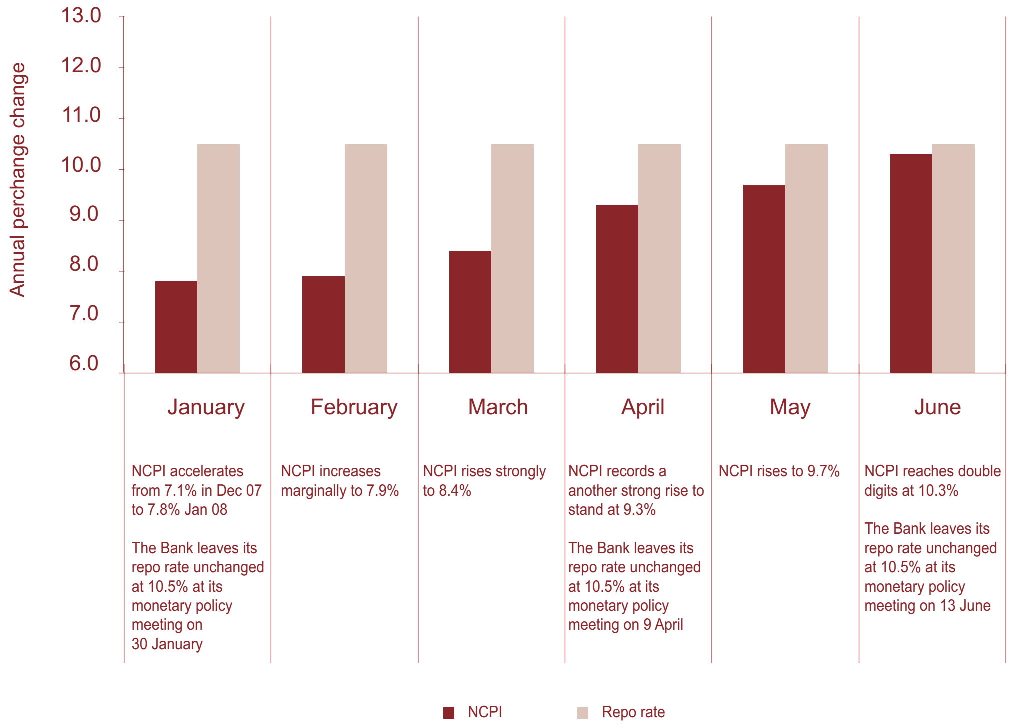
In Namibia, the annual inflation rate increased from 7.8 percent in January 2008 to 12.0 percent by August that year, maintaining the same level up to October, before it moderated somewhat to 10.9 percent by the end of the year. Lower food and transport prices played a significant role in the downward movement of inflation during the latter half of 2008. In addition, demand conditions reflected in indicators such as credit extension to the private sector as well as total vehicle sales remained subdued on account of the tighter monetary policy stance pursued since June 2006. For instance, the rate of annual growth in private sector credit increased slightly to 12.2 percent in March 2008, up from 11.5 percent in January, before moderating to 11.4 percent by the end of the year. Moreover, vehicle sales decelerated significantly to 686 units in December 2008, a 15.6 percent decline in comparison with the 813 units the sold the year before.

International reserves were at sufficient levels to sustain the currency peg, while there was no evidence of capital outflows that could exert pressure on it. The level of reserves increased from N$8.2 billion in January 2008 to N$12.7 billion by the end of year, showing a brisk 53.3 percent growth rate over the reporting period. The reserve levels in December 2008 stood at N$12.7 billion – 7.7 times higher than the currency in circulation, which stood at N$1.7 billion during the same month. The EC's decision to decrease the repo rate at its last meeting was further informed by the major uncertainty in international financial markets, which posed extensive risks to Namibia's economic performance in the short to medium term, especially in terms of adverse effects on commodity prices, which were expected to depress the economy's export-oriented industries. However, the EC remains cautious about the risks to inflation from exogenous factors and the uncertainties associated with the global financial crisis, and would not hesitate to take the required action to defend the peg and ensure price stability.

CHRONOLOGY OF MONETARY POLICY, 2008

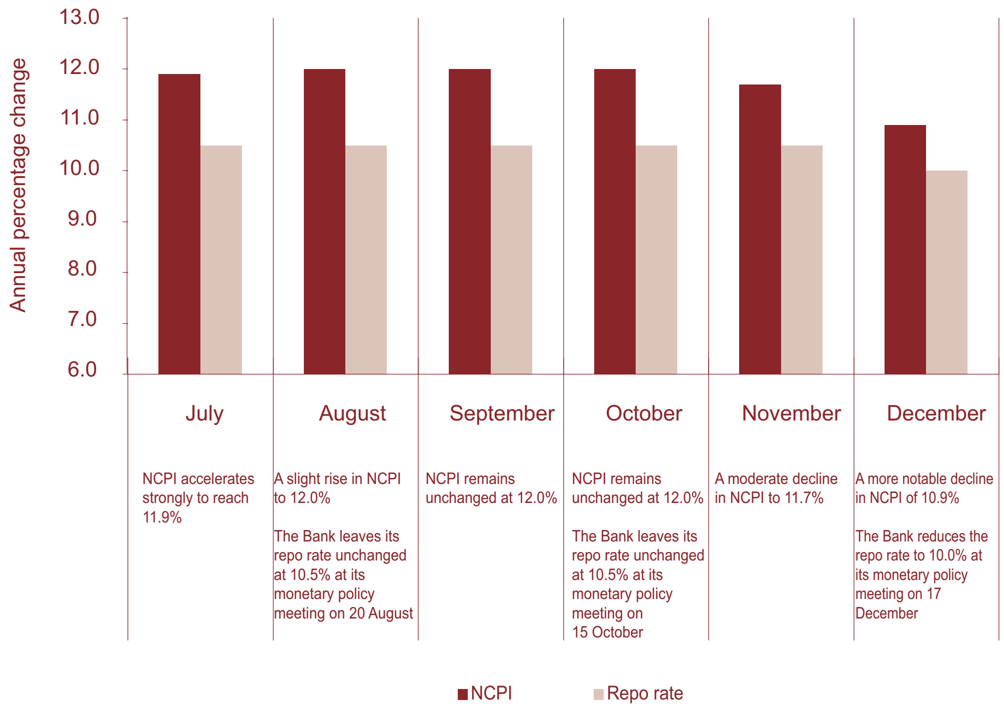
The chronology of monetary policy during 2008 is illustrated in the accompanying chart, which indicates the monthly inflation rates and the essence of EC decisions.

Chart A.2: Monetary policy and monetary conditions, January–June 2008



NCPI = National Consumer Price Index

Chart A.3: Monetary policy and monetary conditions, July–December 2008



NCPI = National Consumer Price Index

CONTRIBUTION TO ECONOMIC POLICY FORMULATION

Strategic objective 3:
Contribute to national economic policymaking

Initiatives and strategies
Deliver relevant and quality policy advice

POLICY RESEARCH AND ADVICE

The Bank of Namibia is the advisor to Government on fiscal issues. Other key targets for the Bank include the provision of policy advice on issues such as National Development Plans, the Millennium Development Goals, and Vision 2030. The Bank continued to provide policy advice to the Ministry of Finance by commenting on the Medium-term Expenditure Framework and on various other internal and public Government documents. The Bank also continued conducting economic research in order to enrich policy formulation. To this end, a number of activities and studies were carried within the year to achieve the set targets. With regard to the research agenda, the Bank published a total of four papers, covering the following topics:

- Unleashing the potential of the agricultural sector in Namibia
- The viability of export credit and insurance scheme in Namibia
- Enhancing the role of factoring and leasing companies in Namibia, and
- Investigating the role securitisation could play in deepening the financial sector in Namibia.

The findings of the first three studies were reported on in the 2007 Annual Report. The outcome of the last-mentioned study is reported more fully herein in the section dealing with financial market developments.

The Bank also completed a study on the impact of HIV and AIDS on the country's banking sector. The study estimated that around 25 percent of all persons living with HIV in Namibia are customers in the banking sector. The study revealed that HIV and AIDS could pose a risk to products such as mortgages, term loans, other loans and cheque accounts (overdrafts) as a result of a relatively high level of AIDS mortalities. The study concluded that if the current extent of HIV and AIDS interventions in the effective treatment scenario is maintained or scaled up, the imminent threat of HIV and AIDS to the stability of the banking sector could be defused.

The Bank also hosted its annual one-day symposium, this time under the theme "Structural transformation of the Namibian economy". The theme was influenced by the need to evaluate the Namibian economy's transformation. It has been observed that the structural transformation of the country's economy has not been optimal as the share in domestic output of secondary industries, especially manufacturing, which are supposed to take the lead in such transformation, has remained low. As a result, much scope remains for further diversification of the economy. Key lessons were drawn from other countries such as Mauritius and Korea, and strategies and options for promoting structural transformation in the Namibian economy were discussed. The symposium proceedings were also published.

Other research work the Bank undertook included –

- evaluating the distributive efficiency and tax incidence of VAT in Namibia
- determining the funding requirements of State-owned enterprises in Namibia, and
- the impact of the financial crisis on the Namibian economy.

In 2009, the Bank intends to publish a monetary policy review report. The report, which will be published biannually, is intended to serve two purposes: first, to provide a comprehensive and forward-looking framework for the sources of inflation in Namibia; and second, to share the thinking and explain the reasons for monetary policy decisions to those affected. Moreover, the Bank intends to conduct studies aimed at identifying strategies that could enhance economic growth.

INTERNATIONAL FINANCIAL COOPERATION

During the period under review, the Bank continued to network with regional and international institutions, particularly other central banks within SADC and the rest of the African continent, with a view to promote financial and monetary integration. Similarly, the Bank interacted with international financial institutions, including the IMF and the World Bank.

The CMA remains the cornerstone of Namibia's monetary and exchange rate policy arrangement. During the period under review, Governors of CMA

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central banks met regularly to exchange views on recent economic and financial developments in their respective countries. The meeting of Governors is sanctioned in Article 8(1) of the Multilateral Monetary Agreement, which provides for the holding of regular consultations with respect to the formulation, modification and implementation of monetary and foreign exchange policies.

The Bank remained relatively active in respect of its role in fulfilling SADC and Southern African Customs Union (SACU) agendas. A case in point during the period under review was taking the first step towards deeper regional integration with the official launch of the SADC Free Trade Area in August 2008 in South Africa. The Free Trade Area is expected to create a larger market, valued at US$431 billion, thus unleashing the potential for trade, investment, economic growth and employment creation. This will lead to more profound economic integration among member states by making goods cheaper, and by inspiring greater production and consumption. Work also continued on transforming SADC into a customs union. The Bank participated in SACU meetings and provided technical support with respect to issues of revenue-sharing from the common revenue pool. While the SACU revenue pool remains a significant source of revenue and reserves for Namibia, the sustainability of the future expansion of the revenue pool is becoming increasingly doubtful.

The Bank attended the 32nd Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks, which was held in Rwanda during August 2008. The deliberations included, amongst others, a review of progress on the establishment of the African Central Bank and implementation of the African Monetary Cooperation Programme for 2007. The latter Programme was adopted in 2000, and involves employing collective policy measures to achieve a harmonised monetary system and common management institution. It envisages the establishment of single monetary zone by 2021, with a common currency and a common Central Bank at continental level. Some members of the African Union called for the establishment of the three Pan-African financial institutions to be fast-tracked, namely the African Monetary Fund, the African Investment Bank, and the African Central Bank. A joint committee of the Association of African Central Banks and the African Union was set up to look into the issue.

The Bank also continued to participate in activities of the Committee of Central Bank Governors (CCBG) in SADC. The main activities carried out were the finalisation of the Model Central Bank Bill, which the CCBG approved in April 2008. The purpose of the Bill is to provide a harmonised legal framework for central bank legislation in SADC countries. In terms of implementation, member countries are encouraged to adopt the model legislation.

Other activities included the contribution to the 2008 integrated paper on recent economic developments in SADC. This paper is an annual CCBG document, and gives an assessment of the progress made by member states towards achieving macroeconomic convergence targets in SADC, as set out in the Regional Indicative Strategic Development Plan (RISDP). Convergence indicators are preconditions for monetary integration in SADC. Essentially, the targets – as contained in the RISDP – include single-digit inflation, a budget deficit of less than 5 percent of GDP, public debt of less than 60 percent of GDP, and real GDP growth of 7 percent per annum.

In pursuit of achieving convergence and full currency convertibility, the SADC Exchange Control Committee was formed in December 2007. The aim and objective of this Committee is to facilitate exchange control liberalisation in the SADC region. Hence, the Committee developed a matrix of the roadmap for liberalisation of regional exchange controls. Several meetings were held during the year and resolutions were passed. The indicative date for the achievement of the liberalisation of the current account is set for December 2009. However, this is subject to revision due to the consultative process with relevant authorities in the region, but revisions should not allow a deviation from the RISDP.

The CMA is widely considered as a viable model for monetary integration with the SADC region. During the year, further deliberations took place within the CMA on how this monetary arrangement could be applied to achieve faster monetary integration within the SADC group.

On the international front, the Bank participated in the annual IMF Article IV consultation that took place in November–December 2008. Basically, Article IV consultations are held for surveillance purposes, which involve the monitoring of economic and financial developments, and the provision of policy advice aimed specifically at crisis prevention. The IMF's preliminary findings indicate that Namibia's macroeconomic outlook faces significant risks due to the global financial crisis and economic slowdown. Besides Article VI consultations, the IMF also provided technical assistance pertaining to monetary, financial and balance of payments statistics.

FOREIGN EXCHANGE RESERVES

Strategic objective 4:
Manage reserves prudently

Initiatives and strategies
- Manage reserves actively to optimise returns
- Manage liquidity proactively

Foreign exchange reserves, as indicated in Chart A.4, grew significantly during the year under review, increasing by 94.9 percent from N$6.5 billion at the end of 2007 to N$12.7 billion by the end of 2008. Measured in months of import cover, the level of reserves represented 4.5 months, up from 3.2 months at the end of 2007. The main contributing factors to the steep growth in reserves were the following:
- SACU revenue amounting to N$7.9 billion
- A decline in commercial bank outflows, following the introduction of a call account facility by the Bank of Namibia
- The depreciation of the Namibia Dollar against both the US Dollar and the Euro during the review period, and

Other significant contributing factors were higher portfolio returns following the significant rally in US and European bond markets, and fiscal discipline by Government, which ensured controlled expenditure and lower outflows from reserves.

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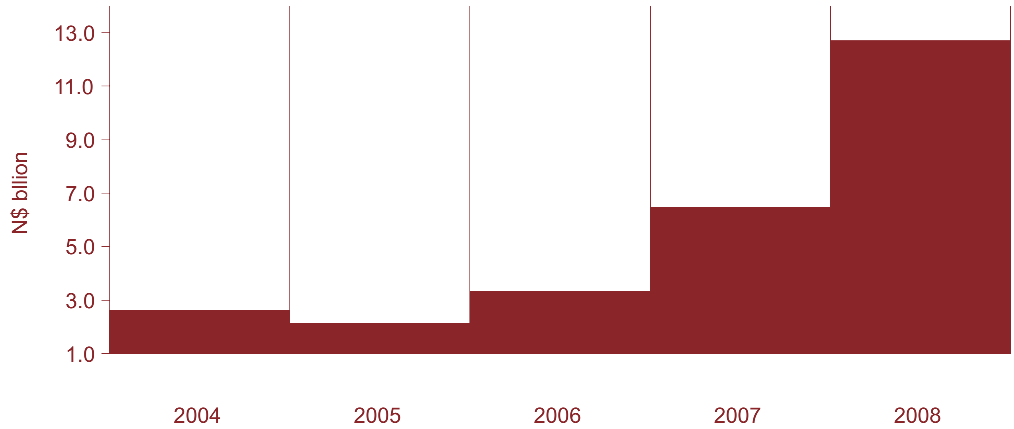
Chart A.4: Official foreign exchange reserves stock



Following the significant increase in foreign exchange reserves observed over the past three years, the Bank reviewed its Strategic Asset Allocation (SAA) in 2008, with the aim of deriving a more rewarding risk return investment profile. This exercise resulted in the splitting of reserves into three new portfolio tranches per currency, with different investment profiles (see Table A.4). Higher duration on the investments tranche in the new SAA has helped the bond portfolios to benefit significantly from the declining yield environment that prevailed in 2008. Furthermore, in the new SAA, a higher share of the reserves was allocated to South African Rand (ZAR) and Euro (EUR), which are high-interest-paying currencies and, as a result, total interest income increased by N$272.0 million between 2007 and 2008.

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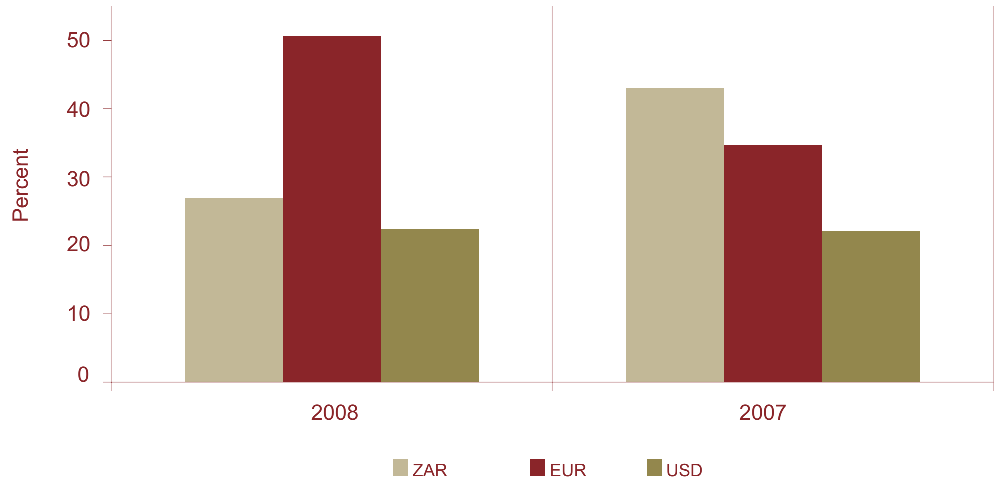
Table A.4: Foreign investment tranches

Portfolio tranche	Investment horizon	Objective
Working capital	0-3 months	To meet daily liquidity requirements, i.e. the portfolio is all held in cash.
Liquidity	3-12 months	To provide a buffer for working capital and to meet liquidity requirements over a one-year period.
Investment	1-3 years	To seek long-term returns within tolerable risk levels.

The currency mix of the reserves – namely EUR, ZAR and US Dollar (USD) – remained unchanged in 2008. However, based on the new SAA, the proportion was changed. The currency distribution of reserves at the end of 2007 and 2008 is indicated in Chart A.5.

Chart A.5: Currency mix of foreign exchange reserves at the end of 2007 and 2008



SERVICE DELIVERY AND STAKEHOLDER RELATIONS

Strategic objective 5:
Promote a positive reputation through efficient service delivery and sound stakeholder relations

Initiatives and strategies
- Deliver excellent service to stakeholders
- Promote good corporate citizenship

The Bank continuously strives to improve the level of efficiency of its service delivery to its customers. In order to gauge the degree of customer satisfaction with the Bank's quality of service, an External Customer Satisfaction Survey was carried out during July–August 2008. The findings were that the Bank's stakeholders and customers in general appear to be reasonably satisfied with its service delivery. For example, 45 percent of the respondents were positive about the Bank's service delivery, whilst only 12 percent were negative. It is encouraging that the majority of respondents rated the Bank positively in respect of the following attributes:
- The Bank is guided by sound economic principles and practices and it works in the best interest of the public.
- The Bank is viewed as having a credible reputation and image.
- The Bank's staff members are generally viewed as reliable, readily available and accessible, as well as able and willing to resolve issues and problems speedily.
- The Bank is generally perceived to take policy decisions independently and in a transparent manner.
- The Bank's policy decisions are viewed as relevant and credible, and they have a visible economic impact.
- Policy research carried out by the Bank is perceived to be relevant and of good quality.
- The Bank functions in a transparent manner and frequently collaborates with relevant institutions on aspects of its service delivery.

Areas where stakeholders and customers thought the Bank could improve mainly related to more frequent communication and collaboration with regard to Bank policies and certain specified services. The unfavourable ratings that were deemed statistically significant enabled the Bank to identify the specific areas requiring attention. Departments responsible for services that received negative ratings are currently implementing appropriate strategies to improve the level of efficiency of the Bank's service delivery in the areas identified.

BANKING SERVICES

As part of its mandate, the Bank continues to provide banking services to the Government for the State Account and certain donor accounts. All domestic transfers exceeding a certain amount are processed through the NISS to ensure timely and irrevocable payment. During 2008, 529 domestic transfers were processed, compared with 424 in 2007. In 2008, the Bank processed 942 foreign money transfers on behalf of the Government, compared with 900 in 2007.

The Bank has a unique arrangement with the Ministry of Finance to clear special presentations of State Account cheques where the holder wishes to have the cheque's immediate value. Such clearances are done at the payee's request. The number of special clearances have been reduced (1,939 in 2008 compared with 3,036 in 2007), mainly as a result of the reduced clearing time on normal cheque deposits.

All cash and cheque payments to Government are deposited at the Bank of Namibia. Such cheques are then forwarded to Namclear for clearance and credited to the State Account. Government cheques issued by the various Offices, Ministries and Agencies are deposited at commercial banks by the associated beneficiaries. These cheques are, in turn, forwarded to Namclear for clearance and, thereafter, returned to the Bank. The Bank authenticates the cheques to ensure that these were not forged or stopped. The cheques are then processed and bank statements prepared and submitted with the cleared cheques to the Ministry of Finance. During the period under review, 667,994 cheques were processed, which represents an 8 percent increase compared with the previous year. In keeping with the Bank's programme of reform within the payment system, the clearing time of Government cheques has been reduced to as low as five days; in the past, clients had to wait up to 14 days to receive value. The reduction in the clearing cycle has in turn reduced the number of complaints from beneficiaries and also reduced requests for special cheque clearances.

SETTLEMENT SERVICES

High priority was placed on business continuity planning to ensure the uninterrupted availability of the NISS through DR measures. The Bank successfully conducted a DR test on 26 September 2008 for the NISS, where the NISS was operated for a full business day from the DR site located in Windhoek West.

Table A.5: NISS transactions

Year	Number of settlement days	Value settled (N$ billion)			Total number of settlement transactions
		Total value settled	Value settled gross	Value settled in bulk	
2004	302	242.4	188.7	53.7	37,804
2005	302	231.1	154.8	76.3	37,009
2006	301	262.6	202.3	90.3	27,011
2007	301	342.7	239.7	103.1	27,805
2008	304	455.5	328.5	127.0	32,587

In 2008, the Bank continued to provide Real-time Gross Settlement (RTGS) service to domestic banking institutions through the NISS. All high-value inter-bank payments above N$5 million are made through the NISS. The NISS also settled values originating from retail payment systems (EFTs, cheques and cards) operated by Namclear. With the establishment of Namswitch in 2008, the first ATM transactions were settled in the NISS on 21 April 2008, followed by POS transactions on 17 November 2008.

In 2008, as indicated in Table A.5, the total value settled in the NISS amounted to over N$456 billion. Approximately 72 percent of total value settled in the NISS emanated from gross settlement. The total number of transactions settled was 32,587, which is, on average, 107 transactions per day. There was a 75.2 percent growth in value settled through the NISS, while the volumes increased by 85 percent. This is a positive trend, since more values are settled in the NISS in real time and irrevocably, thereby reducing systemic risk.

The Bank continues to provide sufficient collateralised liquidity to the participants through the intra-day and overnight repo facilities in NISS. In 2008, the value of daily credit extended on an overnight repo basis totalled about N$24.2 billion. On average, this is about N$79 million per settlement day. The overnight repo rate increased by 1.1 percent from 2007 to 2008. Since the implementation of seven-day repo facility in July 2008, usage of the overnight repo facility declined significantly in the third quarter of 2008, and is expected to slow down considerably in 2009.

Since payments are made continuously throughout the day, intra-day demand for liquidity is considered to be very high. The Bank's intra-day repo facility, which is available at no interest cost, is the main instrument in the NISS for providing intra-day liquidity. The total value of intra-day credit extended to banking institutions in 2008 amounted to N$83.5 billion, compared with N$86 billion in 2007. This is as a result of the implementation of a seven-day repo facility and the reactivation of the call account instrument in July 2008, which enabled banking institutions to use more of their own funds for intra-day settlement purposes.

In 2008, the total settlement value for the retail payment system (EFT, cheque and card) operated by Namclear was about N$127 billion, which amounted to approximately 28 percent of total value settled in the NISS. At this stage, the Bank considers retail payment systems as important because they still represent a significant proportion of the daily settlement.

Table A.6: Namclear transactions

Year	Cheque transactions		EFT transactions	
	Value (N$ million)	Number of transactions	Value (N$ million)	Number of transactions
2006	72,796	5,489,961	27,377	4,382,234
2007	76,172	5,162,807	72,368	4,928,064
2008	81,653	4,533,608	106,757	7,085,471
Annual percentage change				
2007	4.6	-6.0	164.3	12.5
2008	7.2	-12.2	47.5	43.8

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During the year under review, Namclear processed 4.5 million cheques with a combined value of N$81.6 billion (see Table A.6). The value of cheques processed increased by 7.2 percent from the previous year, while the total number of cheques processed fell by 12.2 percent during the review period. The EFT volumes processed by Namclear amounted to 7 million transactions with a combined value of N$106 billion. The EFT volumes rose by 43.8 percent in comparison with 2007, while the value processed increased by 47.5 percent. The rapid growth in EFT transactions can be attributed to the localisation of NAD-to-NAD EFTs as per a Bank Directive, which became effective on 31 December 2008. These figures illustrate that clearing activities are growing rapidly. They are expected to expand further once local card-switching and clearing commences in 2009.

Consistent with its core role, NISS availability remained very high in 2008 and is broadly in line with comparably large value payment systems in other countries. The Bank is confident that the NISS remains a safe, robust and adaptable system that meets international standards.

ADMINISTRATION OF EXCHANGE CONTROL

The Bank administers the exchange control function in terms of the authority delegated to it by the Minister of Finance. Namibia complies with the provisions of Article VIII of the Articles of Association of the IMF by not placing restrictions on current account transactions, such as payment for imports and declaration of dividends. Moreover, in its administration of exchange control, the Bank has set certain indicative limits for various types of current payments, but it does not withhold approval for legitimate foreign exchange purchases for current transactions. In fact, in its efforts to better facilitate the needs of the general public, the Bank has delegated certain powers to Authorised Dealers.

As an exchange control liberalisation measure in line with the approach of gradually easing such controls, subject to certain conditions, the Bank introduced a single discretionary allowance of N$500,000 per individual per calendar year in 2008, for purposes of travel, gifts, donations and maintenance. This discretionary allowance is in addition to the existing N$2 million as a foreign capital allowance per individual.

Foreign exposure limits, i.e. outside the CMA, for long-term insurers, pension funds, fund managers and unit trust management companies were increased during the year under review from 20 percent to 30 percent of their total assets and assets under management, respectively Additionally, institutional investors are allowed to utilise an additional allowance equal to 5 percent of total assets for portfolio investment in Africa.

A number of Bank Circulars were issued to Authorised Dealers in terms of the roll-out plan for the further delegation of administrative functions. The delegated categories were mainly those where foreign exchange transactions could be processed by Authorised Dealers without recourse to the Bank.

Furthermore, the Bank embarked upon training law enforcement agencies and customs officials at the Oshikango border post and at Walvis Bay as regards the regulations on trade in foreign exchange and the procedures to be followed in the event of detecting unauthorised trade in foreign exchange.

PUBLIC EDUCATION

The Bank of Namibia understands that public education plays a very important role in supporting and contributing to economic growth. A thorough understanding of the monetary system and banking industry can help individual members of the public to make informed decisions that will have a positive impact on their lives.

During the year under review, the Bank hosted a very successful national High School Competition, with schools competing from all 13 Regions in the country. Students had to study The role of the Bank of Namibia in the economy, compiled by the Bank. From 14 to 25 July 2008, learners in Grades 8 to 12 from a total of 162 schools countrywide participated in the competition.

The Etosha Senior Secondary School in the Oshikoto Region won the contest and prize money of N$50,000, whilst the Okakarara Senior Secondary School in the Otjozondjupa Region won the title of Runner-up and a cash prize of N$30,000. The Erundu Senior Secondary School in the Oshana Region ended third, with prize money totalling N$10,000. Dr Lemmer in the Hardap Region was fourth, and walked away with a printer as a prize for their school.

The Bank of Namibia also regularly hosts a school visitors' programme that aims to educate learners about the role and functions of a central bank. A total of ten schools from the Erongo, Khomas, and Omaheke Regions visited the Bank during 2008 as part of this programme.

The media's role in educating the public about relevant topics cannot be underestimated. The Bank, therefore, makes a conscious effort to strengthen its relationship with the media, supplying them with relevant information and actively arranging interviews with print and broadcasting media institutions.

SOCIAL RESPONSIBILITY

The Bank of Namibia is a responsible corporate citizen and invests in Namibian communities. Realising that the Government of Namibia faces many developmental challenges, the Bank supports Government efforts by channelling funds to areas of need. The Bank is, therefore, committed to the focus area of education.

Since 2006, the Bank has committed itself to establishing computer centres at the Nuuyoma Secondary School in Oshikuku and the Wennie du Plessis Secondary School in Gobabis. A total of N$1 million has been committed to the development of these centres until 2010. The computer centres provide learners with the opportunity of becoming fully computer literate. Computer skills are increasingly important for the job situation or for studying at tertiary institutions.

In addition, the Bank channelled funds in the form of donations and sponsorships to initiatives that support its objective of creating a knowledge-based society. In 2008, the Bank contributed an amount of N$500,000 to the Polytechnic of Namibia for the development and construction of the institution's Namibia Business Innovation Centre. The Centre aims to enhance entrepreneurship, innovation, job creation, and income generation, in order to ensure economic competitiveness and sustainability. The Centre will consist of three main components: a business incubator, a technology park, and a science park. It will also host education and training programmes as well as facilitate the promotion of young talent.

Understanding that many Namibians have suffered due to disastrous floods, the Bank of Namibia donated N$100,000 to assist flood victims in northern Namibia during the year under review. On 2 April 2008, the funds were handed over to the National Emergency Disaster Fund established in the Office of the Prime Minister.

FINANCIAL MARKET DEVELOPMENTS

Strategic objective 6:
Promote financial market development

Initiatives and strategies
- Promote the deepening of the financial market
- Promote wider access to financial services

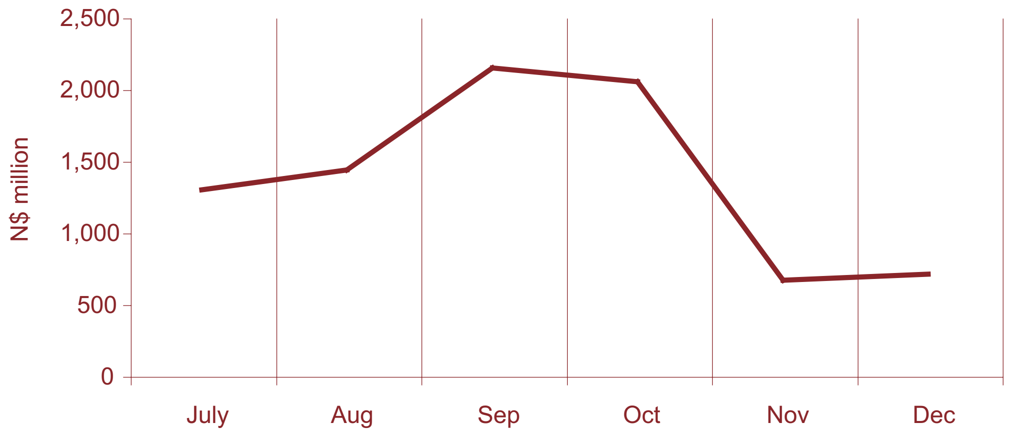
ACCOMMODATION FACILITIES OFFERED TO BANKING INSTITUTIONS

The Bank continuously reviews the lending facilities it offers to banking institutions. The review is necessary to keep abreast of changes in domestic financial markets and to maintain its soundness and effectiveness. The primary objective of reviewing is to ensure that lending operations conform to international best practices. Based on the findings of the latest review, undertaken during 2008, the Bank decided to introduce certain amendments to refinancing operations.

A seven-day refinancing facility, based on repurchase (repo) agreements, was introduced by the Bank in July 2008 as the main system of accommodating banking institutions. Under the new facility, banking institutions are provided with accommodation on a weekly basis at the ruling repo rate. The implementation of the seven-day repo facility witnessed a decline in the use of the overnight repo option, as it ceased to be the main refinancing facility. The intra-day and overnight repo agreements are instead only used to square off daily positions. A penalty, which is reviewed periodically by the Bank, is charged on the overnight repo facility, whilst the intra-day option remains free of charge.

The monthly average of the seven-day repo issued since the inception of this facility was at N$1.3 billion by the end of December 2008. As shown in Chart A.6, the highest amount allotted was N$2.1 billion, recorded during September, whilst the lowest was N$663 million in November 2008. The amount borrowed in the seven-day repo option is mainly driven by banking institutions' liquidity needs. For instance, these institutions are expected to borrow less when they are long and vice versa. Towards the end of 2008, the liquidity conditions of banking institutions improved somewhat, which resulted in a lower demand in respect of funds borrowed under the seven-day repo option.

Chart A.6: Usage of seven-day repo facility, 2008



The introduction of the seven-day repo facility was accompanied by the revival of the call account instrument. From July 2008 onwards, the Bank began paying interest on banking institutions' call account balances. However, interest is only paid on overnight balances. The call rate is revised at the Bank's discretion, and is published on Reuters daily.

INVESTIGATION INTO THE ROLE OF SECURITISATION IN DEEPENING THE NAMIBIAN FINANCIAL SECTOR

During the year under review, the Bank undertook a study into the role that securitisation could play in deepening the financial sector in Namibia. The study concluded that securitisation could serve as an alternative source of liquidity for any financial institution as a means of diversifying risks, and as a tool for managing interest rate risks. However, securitisation might aggravate the problems of asymmetric information as it is complicated and, indeed, led to the global financial crisis. It was established that securitisation was not developed in Namibia. The study cautioned potential initiators of securitisation to draw lessons from South Africa and from the global financial crisis. South Africa, for example, had been quite successful in establishing a well-functioning securitisation industry, and was able to cushion itself from the wrath of the global financial crisis. This could partly be ascribed to capital controls still being exercised in South Africa.

PROMOTING ACCESS TO FINANCIAL SERVICES

During 2008, the Bank took part in and co-hosted seminars with the FinMark Trust of South Africa. Deliberations at the seminars, which aimed at promoting access to financial services in Namibia, focused on the outcome of relevant research and surveys conducted in respect of understanding the needs of the unbanked, and devising strategies that would enable enhanced access to financial services by the unbanked.

RESOURCE MANAGEMENT

Strategic objective 7:
Develop and manage resources sustainably

Initiatives and strategies
- Manage risk effectively
- Adapt the Bank's human resources strategies to enhance leadership and a culture of being driven by high performance
- Manage the Bank's financial affairs in a prudent manner by promoting value for money
- Ensure functionality and availability of assets and infrastructure that support its operations in a cost-effective manner

FINANCIAL MANAGEMENT

An examination of the Bank's liabilities gives a good indication of the sources of funds with which it sustains its operations. These funds are reflected in Table A.7.

Table A.7: Composition of monthly average liabilities of the Bank of Namibia

Financial year	2004	2005	2006	2007	2008
N$ million					
Capital and reserves	688	648	836	1,021	2,237
Currency in circulation	856	939	1,017	1,126	1,366
Government deposits	486	509	1,633	4,648	6,403
Bank deposits	276	294	355	400	569
Other	191	195	335	529	993
Total	**2,497**	**2,585**	**4,176**	**7,724**	**11,568**
Percentage composition					
Capital and reserves	27.5	25.1	20.0	13.2	19.3
Currency in circulation	34.3	36.3	24.4	14.6	11.8
Government deposits	19.5	19.7	39.1	60.2	55.3
Bank deposits	11.1	11.4	8.5	5.2	4.9
Other	7.7	7.6	8.0	6.8	8.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

All sources of Bank funds rose substantially between 2007 and 2008. Government deposits still remain the Bank's most important source of funds, although as a percentage of total liabilities, Government deposits fell from 60 percent in 2007 to 55 percent in 2008. Notably, some five years ago the currency in circulation represented the most important source of funds. In terms of annual growth, the Bank's capital and reserves more than doubled between 2007 and 2008, mainly as a result of a sharp increase in the revaluation reserve, which was caused by a substantial depreciation of the external value of the Namibia Dollar.

Table A.8 presents a few major categories of the Bank's assets. As a central bank, it is typical that the bulk of the Bank's assets consist of foreign investments. Between 2004 and 2006, the share of foreign investments as a percentage of total assets fell, mainly due to the appreciation of the external value of the Namibia Dollar. However, after 2006, foreign investments once again increased their share of total assets, and in 2008 their share started to exceed 90 percent of total assets.

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Table A.8: Composition of Bank assets per monthly average

Financial year	2004	2005	2006	2007	2008
			N$ million		
Foreign investments	2,004	1,995	3,056	6,051	10,498
Loans and advances	262	316	781	1,248	686
Fixed assets	155	158	146	142	157
Other assets	77	115	192	283	227
TOTAL	**2,497**	**2,585**	**4,175**	**7,724**	**11,568**
			Percentage composition		
Foreign investments	80.2	77.2	73.2	78.3	90.8
Loans and advances	10.5	12.2	18.7	16.2	5.9
Fixed assets	6.2	6.1	3.5	1.8	1.4
Other assets	3.1	4.5	4.6	3.7	2.0
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

In 2008, loans and advances decreased in absolute terms and as a percentage of total assets, compared with the previous year. This decrease is explained by the withdrawal of investments of the Internal Registered Stock Redemption (IRSR) account from local banks. During 2008, the Bank reinvested the IRSR account in the South African money and capital market. Another reason for the slowdown in loans and advances granted by the Bank towards the end of 2008 is the fact that the liquidity conditions of the banking institutions improved somewhat, which resulted in lesser demand of funds borrowed under the seven-day repo facility.

As outlined in Table A.9, all sources of the Bank's income performed quite well between 2006 and 2008. Traditionally, the net interest earned on the Bank's investments remained the most important source of income. However, in 2006 and again in 2008, the Bank posted particularly large net realised gains on portfolio investments as well as net unrealised foreign exchange gains. These net realised gains can be ascribed to profits made during the introduction of the SAA, when a number of securities were sold and replaced by new ones in line with the new SAA. Unrealised foreign exchange gains were a result of the sharp depreciation of the Namibia Dollar during the year under review. Most other sources of the Bank's income declined in relation to total income.

Table A.9: Sources of Bank income

Income component	2006		2007		2008	
	N$ million	Percent	N$ million	Percent	N$ million	Percent
Interest received	165.1	35.7	327.6	70.9	599.6	25.2
less: Interest paid	-31.3	-6.8	-159.1	-34.4	-360.8	-15.2
Net interest earned	133.8	28.9	168.5	36.4	238.8	10.1
Realised gain/(loss)	-5.4	-1.2	19.1	4.1	260.8	11.0
Net foreign exchange gains	241.5	52.2	134.6	29.1	1,705.2	71.8
Rand seigniorage	87.3	18.9	132.6	28.7	146.0	6.1
Other income	5.5	1.2	7.5	1.6	24.4	1.0
Total income	**462.7**	**100.0**	**462.3**	**100.0**	**2,375.2**	**100.0**
Annual increase (percent per annum)	**n/a**	**151.3**	**n/a**	**-0.1**	**n/a**	**413.8**

Because the Bank maintains strict control over all expenditure and works within the budget constraints approved by the Board, it is possible to contain the annual rise in operating expenses (see Table A.10). As expected, staff costs remain the largest expenditure item followed by other operating expenses. Currency expenses relate to the cost of minting coins and printing banknotes.

Table A.10: Composition of operating costs

Cost component	2006		2007		2008	
	N$ million	Percent	N$ million	Percent	N$ million	Percent
Staff costs	67.1	67.5	77.9	53.1	111.3	66.1
Currency expenses	4.6	4.6	16.1	11.0	19.6	11.6
Depreciation charges	5.7	5.7	6.6	4.5	7.7	4.5
Other operating expenses	22.0	22.1	46.0	31.4	29.9	17.8
Total operating expenses	**99.4**	**100.0**	**146.6**	**100.0**	**168.4**	**100.0**
Annual increase (percent per annum)	**n/a**	**2.6**	**n/a**	**47.5**	**n/a**	**14.7**

STAFFING AND PERSONNEL DEVELOPMENTS

The Bank's human resources play a vital role in meeting its statutory objectives as well as its strategic goals. The Bank continuously strives to ensure that it is staffed with quality employees with the willingness and ability to carry out the activities needed to fulfil the Bank's mandate. In order to fulfil this mandate, the Bank achieved significant milestones in regard to being staffed with quality employees.

The Bank's actual staff complement as at 31 December 2008 was 296, being 13 less than the overall approved staff complement of 309. The actual staff complement includes new positions and resignations during the year. The composition of the staff complement for the past four years is shown in Table A.11.

Table A.11: Employment at the Bank at year end

Staff category	2005	2006	2007	2008
General staff	240	232	251	264
Management (excluding Executive Management)	27	25	27	29
Executive Management	3	3	3	3
TOTAL	**270**	**260**	**281**	**296**

During 2008, the Bank recorded a staff turnover of 14 terminations, inclusive of 2 retirements. The turnover figure represents 4.85 percent of the actual staff complement of 296. The percentage turnover rate of 4.85 percent is consistent with the 2007 turnover rate, and well below the upper tolerance level of 6 percent. The low staff turnover rate can be attributed to the increased inculcation of the Bank's retention strategies as well as a comparatively well-balanced work environment.

In an effort to proactively source specialised, scarce and critical skills, the Bank has introduced a talent network initiative that addresses skills shortages.

EMPLOYMENT EQUITY

As part of its commitment towards employment equity, the Bank consistently meets and even exceeds the employment equity targets it has set in its three-year employment equity plan. The Bank's three-year employment equity target for 2006/7–2009 is to have 25 percent female representation at management level by the end of 2009. By the end of 2008, female representation at management level stood at 27 percent. The challenge is now to maintain or improve this position through staff retention and development.

As an ongoing effort, the Bank continues to enrol female staff in Management Development Programmes and to provide bursaries to women in the IT, Accounting, Economics, Finance and Banking areas. Ten out of 13 Bank bursaries were held by female students during 2008.

In recognition of its commitment to employment equity, the Bank was issued with a compliance certificate by the Employment Equity Commissioner for the year under review.

CAPACITY DEVELOPMENT

During 2008, the Human Capital-building Policy was revised and updated to reflect the progressive realities and development needs of the Bank. This ensured that the Bank's human capital development practices comply with international best practice, and address the Bank's strategic challenges.

Employees at all levels benefited from development programmes. A total of 133 employees were engaged in training interventions and technical development programmes outside the Bank, while 262 employees benefited from the various in-house programmes offered. A total of N$2.4 million was expended on training interventions and staff development.

Furthermore, a total of 13 undergraduate students (10 female and 3 male) benefited from the Bank's undergraduate bursary programme, while 2 postgraduate students (both women) benefited from the Bank's bursary programmes for Master's-level studies in the fields of Economics and Finance.

During 2008, the Bank initiated a PhD fellowship programme, available to both eligible staff members and the public, with the aim of making a lasting contribution to the country's intellectual capacity. It is envisaged that the graduates would support high-level economic policy formulation and implementation in the interests of the country, in the context of a globalised world. Sponsorship was made available for doctoral studies in the fields of Economics, Finance, and International Banking and Trade. One PhD fellow (a woman) was awarded the sponsorship for the year under review.

In an effort to build internal talent and strengthen management and leadership capability within the Bank, the management and leadership pipelining framework was introduced and piloted.

HEALTH, SAFETY AND WELLNESS

During 2008, the Bank's Occupational Health and Safety Policy became fully operational, and a Workplace Health and Safety Committee was established. Four safety representatives were trained on health and safety issues, with a view to optimising the quality of the working day at the Bank.

During 2008, an HIV and AIDS Prevalence Test was conducted among Bank employees. This enabled the Bank to focus its human resources planning for the future. Ten HIV and AIDS Peer Educators were trained to –

- provide support and raise awareness on the dangers of HIV and AIDS
- address HIV and AIDS stigmatisation, and
- encourage positive living.

As part of the Bank's integrated wellness programme, many employees benefited from counselling and information sessions on personal problems, work problems, and health-related issues.

ORGANISATION DEVELOPMENT

The Bank's Performance Management Policy was revised and updated to promote a culture of striving for excellence. It is the Bank's vision to be a centre of excellence, and the revised philosophy of performance management makes it the responsibility of each employee to aspire to excellence and ethical performance. The Corporate Charter was also revised to reflect the Bank's vision of excellence and high-quality performance. During the year, regular vision-building sessions were conducted to promote the Bank's values and to refresh our vision and mission with staff members.

FACILITIES MANAGEMENT AND SECURITY

In line with its maintenance programme, the Bank undertook a number of projects to maintain and enhance its physical infrastructure. The planning and design relating to Head Office accommodation was completed during the year under review, while actual construction and refurbishment will commence in early 2009. The upgrading of the back-up uninterrupted power supply (UPS) at Head Office was also completed during the review period. Due to inefficiencies in the previous intercom system, the entire system – including the relevant hardware – was replaced. In addition, the Bank's PABX telephone system at Head Office was replaced with a more modern and functional alternative. Apart from these larger projects, considerable resources were dedicated to upgrading security equipment and installations, including closed-circuit TV cameras, a metal detector, and specialised access doors to high-security areas, including the computer and dealing rooms.

The Bank continued to forge ahead with conceptualising the DR facility, the construction of which is also scheduled for 2009. A detailed needs analysis that will have a bearing on the size and dimensions of the facility was completed. Architects, consulting engineers and quantity surveyors have already been appointed to design and oversee the project.

Furthermore, the Bank launched an asset verification project that would not only render an accurate account of all movable Bank assets, but would also ensure that both movable and immovable facilities were insured with the correct replacement values. A project is also under way to review all Service-level Agreements to optimise the maintenance of, prolong the lifespan of, and extend the utility values of the Bank's facilities.

INFORMATION TECHNOLOGY

The Bank made a number of IT infrastructure and technology investments during the course of 2008 to enhance the functionality of various business units. With the newly established FIC, a web-based IT solution was acquired to automate the submission and analysis of suspicious transactions. This solution was developed and implemented with the assistance of the UNODC. With this implementation, the Bank made a further investment in virtualised desktops to maintain the security nature of the FIC by making use of VMWare's Virtual Desktop Infrastructure. This will ensure that data integrity and security remain a top priority.

Another project was the establishment of a database solution that would automate several statistical and research functions by developing a customised solution for the Research Department. Using internal developers, the Bank became one of very few central banks within the SADC region to develop and use such a system for research operations – one of the Bank's core functions. The IT Department further undertook to revamp the bank corporate website by designing a new look and enhanced functionality to manage the repository of information within the site, allowing for easier navigation and information retrieval. Furthermore, the Bank Supervision Department was assisted by implementing a new Bank Supervision Application (BSA) in the form of its second version (BSA 2.0) since inception. The new solution is also web-based, allowing for external parties to submit and communicate information via the Internet. The BSA 2.0 was a joint project with the Bank of Mozambique, which is the regional development centre for this particular solution.

The Bank's official Enterprise Resource Planning solution, SAP R/3 version 4.7, was upgraded to the ECC6 version. This brought the Bank up to speed with some of the latest offerings from SAP AG in Germany. Being one of the larger projects undertaken by the IT Department during the course of 2008, it was implemented successfully, with all business operations smoothly integrated into the new solution with a local service provider. In addition, initial work began with the implementation of two additional modules in SAP, namely SAP HR (Human Resources) and SAP Treasury. SAP HR and SAP Treasury are to be finalised in 2009, following implementation in 2008. This will align the Bank's operations from the HR and Financial Markets Departments more closely with the Enterprise Resource Planning (ERP) solution, and afford the Bank the capacity to better manage its overall operations within a single solution.

With regard to the IT Infrastructure, standardisation has begun by implementing only Cisco Networking equipment. This began with replacing Nortel switches on each floor at Head Office with Cisco devices, and replacing the core switch with Cisco's flagship product. Existing Cisco equipment includes the Bank's firewall/intrusion prevention solution and all routing equipment. Since security remains a priority for the IT Department, a further investment was made in surveillance technology to protect the IT store rooms and the server room. Various other security products were implemented to enhance security in respect of corporate e-mail and Internet. At the same time, the Bank also reviewed its IT security policy and procedures. The first one targeted was the IT Management Policy, which governs IT staff in managing IT operations, systems and equipment. The second to be addressed was the IT User Policy, which was drafted to guide all users – including IT staff – on the use of IT equipment and services provided by the Bank.

RISK MANAGEMENT

The Bank is exposed to a wide variety of risks and uncertainties. The fulfilment of its role and responsibilities could be seriously jeopardised if significant risks were to materialise. Therefore, the Bank views risk management as an essential element of good corporate governance and has fully integrated risk management into its strategy and daily operations.

The Bank's operations are unique in that it acts as –

- the sole issuer of the national currency
- banker to Government and to banking institutions
- monetary authority
- banking regulator
- custodian of foreign currency reserves
- overseer of the national payment system, and
- provider of settlement, liquidity and credit to the financial system.

The most fundamental risk inherent in the above functions is taking inaccurate policy decisions or giving incorrect policy advice. Another underlying risk facing the Bank is undetected or irreparable instability in the financial or banking systems, thereby causing damage to the economy – besides damaging the Bank's reputation and credibility.

Other specific risks include the following:

- Market price risks associated with losses resulting from changes in market conditions and prices
- Credit and interest rate risks associated with the Bank's day-to-day liquidity management in domestic financial markets, including failure to settle
- The risk associated with holding inadequate foreign currency reserves and dealing in foreign exchange, including credit, interest, and exchange rate risks
- Risks associated with having insufficient national currency, including the processing and safe custody of currency
- Risks associated with the Bank's ability to recover from and resume key business processes in the case of a disaster, and
- Risks such as the loss of key staff, which are associated with being a small organisation that is highly dependent on specialised and professional personnel.

To provide a reasonable sense of assurance to its stakeholders that all the significant risks facing the Bank are being appropriately managed, it adopted a risk management framework. The risk management framework, which is aligned with internationally accepted risk management practice, includes the Bank's Risk Management Policy and Strategy. The function of the risk management framework is to facilitate the regular identification, analysis, evaluation, prioritisation, mitigation and reporting of risks that could hinder the Bank in achieving its strategic objectives.

The Bank also established a Risk Management Section responsible for the coordination and day-to-day operations of the risk management activity. The Bank's Risk Management Committee oversees the risk management process, and reports all significant risk concerns to the Audit Committee and to the Board.

The Bank's business continuity management activities are constantly being enhanced in order to ensure that it is able to recover from a disaster and resume key business processes. To this end, the Bank embarked on projects to upgrade its current DR facilities, and to ensure that all the key application systems are being replicated at the DR facility.

FIVE-YEAR HISTORICAL FINANCIAL OVERVIEW

Table A.12: Balance Sheet comparisons, 2004–2008

	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05	31-Dec-04
ASSETS					
Non-current assets	**212,967**	**206,638**	**193,155**	**237,133**	**186,027**
Property, plant and equipment	155,595	156,945	151,890	147,779	150,748
Intangible assets – computer software	11,865	1,205	1,884	1,564	2,601
Currency inventory - notes and coins	20,853	26,926	12,544	4,771	8,437
Loans and advances	24,654	21,562	26,837	83,019	24,241
Current assets	**13,048,996**	**7,696,801**	**5,099,892**	**2,404,586**	**2,546,332**
Investments	12,712,264	6,547,819	3,348,505	1,906,463	1,902,286
Loans and advances	136,453	889,560	1,509,450	402,723	555,400
Rand Cash	43,770	108,658	133,087	41,067	47,246
Other inventory - stationary and spares	1,917	1,982	2,086	945	1,690
Other assets	154,592	148,782	106,764	53,388	39,710
TOTAL ASSETS	**13,261,963**	**7,903,439**	**5,293,047**	**2,641,719**	**2,732,359**
EQUITY AND LIABILITIES					
Capital and reserves	**3,142,927**	**1,189,455**	**953,691**	**647,427**	**600,205**
Share capital	40,000	40,000	40,000	40,000	40,000
General Reserve	595,699	367,432	306,310	246,569	228,014
Revaluation Reserve	2,427,228	722,023	587,381	345,858	312,191
Building Reserve	80,000	60,000	10,000	0	0
Development Fund Reserve	0	0	10,000	15,000	20,000
Non-Current Liabilities	**21,302**	**16,991**	**14,940**	**14,190**	**11,973**
Provision for post-employment benefits	21,302	16,991	14,940	14,190	11,973
Current Liabilities	**10,097,734**	**6,696,993**	**4,324,416**	**1,980,102**	**2,120,181**
Notes and coins in circulation	1,656,928	1,323,749	1,173,345	1,026,846	945,758
Deposits	8,405,284	5,334,479	3,132,352	945,324	1,162,657
Provision for post-employment benefits	634	477	420	247	292
Trade and other payables	34,888	38,288	18,299	7,685	11,474
TOTAL EQUITY AND LIABILITIES	**13,261,963**	**7,903,439**	**5,293,047**	**2,641,719**	**2,732,359**

A

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Table A.13: Income Statement comparisons, 2004–2008

	31-Dec-08	31-Dec-07	31-Dec-06	31-Dec-05	31-Dec-04
Interest income	599,578	327,574	165,093	103,035	88,870
Interest expense	(360,752)	(159,075)	(31,291)	(6,677)	(14,828)
Net interest income	238,826	168,499	133,802	96,358	74,042
Net realised gains/(losses) on portfolio investments	260,808	19,111	(5,403)	(1,944)	(5,098)
Net unrealised foreign exchange gains/(losses)	1,705,205	134,642	241,523	33,667	(120,273)
Rand compensation	145,969	132,590	87,288	50,200	36,000
Other income	24,379	7,520	5,492	5,844	6,560
Total income	**2,375,187**	**462,362**	**462,702**	**184,125**	**(8,769)**
Operating expenses	**168,365**	**146,598**	**99,400**	**96,903**	**98,149**
Net income for the year	**2,206,822**	**315,764**	**363,302**	**87,222**	**(106,918)**
Transfer from/(to) revaluation reserve	(1,705,205)	(134,642)	(241,523)	(33,667)	120,273
Net income available for distribution	**501,617**	**181,122**	**121,779**	**53,555**	**13,355**
Appropriations:					
General Reserve	228,267	61,122	49,582	18,555	3,790
Building Reserve	20,000	50,000	10,000	0	0
Development Fund reserve	0	0	10,000	15,000	5,000
Distribution to State Revenue Fund	253,350	70,000	52,197	20,000	4,565

PART B

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Report prepared pursuant to section 52(1) (a) of the Bank of Namibia Act

PART B

B

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 members 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 the Bank complies with International Financial Reporting Standards and the requirements of the Bank of Namibia Act (Act No. 15 of 1997).

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 reason they continue to adopt the going concern basis in preparing the financial statements.

5. The Board's 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 the approval by the Board Members. The committee has a duty to review the adoption of, and changes in accounting principles 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 47 to 77 were approved by the Board and are signed on its behalf by:

Chairman
16 March 2009

Board Member
16 March 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF THE BANK OF NAMIBIA

We have audited the annual financial statements of the Bank of Namibia, which comprise of the balance sheet at 31 December 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 77.

Board members' responsibility for the financial statements

The Bank of Namibia's Board members' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Namibia Act (Act No. 15 of 1997). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank of Namibia as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Namibia Act (Act No. 15 of 1997).

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek
16 March 2009

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 N$'000	2007 N$'000
Net interest income		**238 826**	**168 499**
Interest income	2	599 578	327 574
Interest expense		(360 752)	(159 075)
		2 136 361	**293 863**
Net gains on investment portfolio		260 808	19 111
Net foreign exchange revaluation gains	14	1 705 205	134 642
Government Grant – FIC funding	2	6 246	1 781
Other income	2	164 102	138 329
Total income		**2 375 187**	**462 362**
Operating expenses	2	(168 365)	(146 598)
Results for the year		**2 206 822**	**315 764**
Attributable to:			
Foreign exchange revaluation reserve	14	1 705 205	134 642
Profit available for distribution	1.2	501 617	181 122
		2 206 822	**315 764**

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BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	2008 N$'000	2007 N$'000
ASSETS			
Non-current Assets		**212 967**	**206 638**
Property and equipment	3	155 595	151 971
Intangible assets – computer software	4	11 865	6 179
Currency costs – notes and coins	5	20 853	26 926
Loans and advances	6	24 654	21 562
Current Assets		**13 048 996**	**7 696 801**
Investments	7	12 712 264	6 547 819
Loans and advances	8	136 453	889 560
Rand cash	9	43 770	108 658
Other inventory – stationery and spares	10	1 917	1 982
Other receivables	11	154 592	148 782
TOTAL ASSETS		**13 261 963**	**7 903 439**
EQUITY AND LIABILITIES			
Capital and Reserves		**3 142 927**	**1 189 455**
Share capital	12	40 000	40 000
General reserve	13	595 699	367 432
Revaluation reserve	14	2 427 228	722 023
Building fund reserve	15	80 000	60 000
Development fund reserve	16	-	-
Non-Current Liabilities		**21 302**	**16 991**
Provision for post employment benefits	17	21 302	16 991
Current Liabilities		**10 097 734**	**6 696 993**
Notes and coins in circulation	18	1 656 928	1 323 749
Deposits	19	8 405 284	5 334 479
Provision for post employment benefits	17	634	477
Trade and other payables	20	34 888	38 288
TOTAL EQUITY AND LIABILITIES		**13 261 963**	**7 903 439**

TOM K. ALWEENDO
GOVERNOR
16 March 2008

PAUL W. HARTMANN
CHIEF FINANCIAL OFFICER
16 March 2008

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital N$'000	Accumulated Profit & loss account N$'000	General Reserve N$'000	Revaluation Reserve N$'000	Distribution State Revenue Fund N$'000	Building Fund Reserve N$'000	Development Fund Reserve N$'000	Total N$'000
Balance at 1 January 2007	**40 000**	**-**	**306 310**	**587 381**	**-**	**10 000**	**10 000**	**953 691**
Profit for the year	-	315 764	-	-	-	-	-	315 764
Transfer to Revaluation reserve	-	(134 642)	-	134 642	-	-	-	-
Disbursement Development fund	-	-	-	-	-	-	(10 000)	(10 000)
Appropriation of net profit for the year	-	(181 122)	61 122	-	70 000	50 000	-	-
Reclassification to current liability	-	-	-	-	(70 000)	-	-	(70 000)
Balance at 31 December 2007	**40 000**	**-**	**367 432**	**722 023**	**-**	**60 000**	**-**	**1 189 455**
Profit for the year	-	2 206 822	-	-	-	-	-	2 206 822
Transfer to Revaluation reserve	-	(1 705 205)	-	1 705 205	-	-	-	-
Appropriation of net profit for the year	-	(501 617)	228 267	-	253 350	20 000	-	-
Reclassification to current liability	-	-	-	-	(253 350)	-	-	(253 350)
Balance at 31 December 2008	**40 000**	**-**	**595 699**	**2 427 228**	**-**	**80 000**	**-**	**3 142 927**

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

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	Notes	2008 N$'000	2007 N$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised by operations	A	(230 494)	(38 938)
CASH FLOWS FROM INVESTING ACTIVITIES		**(32 685)**	**(49 269)**
Proceeds on disposals of property & equipment and intangible assets		9	-
Purchase of property & equipment		(9 291)	(11 709)
Purchase of currency inventory		(11 962)	(30 456)
Purchase of other inventory		(547)	(809)
Purchase of intangible asset – computer software		(7 802)	(1 811)
(Increase) in loans and advances		(3 092)	(4 484)
CASH FLOWS FROM FINANCING ACTIVITIES		**263 179**	**88 207**
Distribution to the State revenue fund	B	(70 000)	(52 197)
Distribution to the Development Bank of Namibia		-	(10 000)
Notes and coins issued		333 179	150 404
		-	-

NOTE:

A. RECONCILIATION OF PROFIT FOR THE YEAR TO CASH UTILISED BY OPERATIONS

	2008	2007
Profit available for distribution	501 617	181 122
Adjusted for:		
Depreciation	5 366	6 632
Currency inventory amortisation cost	18 035	16 074
Other inventory issuance cost	612	913
Provision post employment benefits	4 468	2 108
Amortisation of computer software	2 232	2 512
Loss on disposal of property & equipment	176	-
Operating cash flows before movements in working capital	532 506	209 361
Decrease in loans and advances	753 107	629 649
Decrease in Rand cash	64 888	24 429
(Increase) in other assets	(5 810)	(42 018)
Increase in deposits	2 887 455	2 184 324
(Decrease)/Increase in trade and other payables	(3 400)	19 989
(Increase) in investments	(4 459 240)	(3 064 672)
	(230 494)	(38 938)

B. DISTRIBUTION TO STATE REVENUE FUND

	2008	2007
Opening balance included in deposits	(70 000)	(52 197)
Appropriations of net profit for the year	253 350	70 000
Closing balance included in deposits	(253 350)	(70 000)
Paid for the year	(70 000)	(52 197)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2008

1. ACCOUNTING POLICIES

The Bank's annual financial statements are prepared in accordance with the going concern principle under the historical cost basis, except for financial assets and liabilities where the fair value and amortised cost basis of accounting is adopted. The principal accounting policies, which have been consistently applied in all material respects, are set out below. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.3. The annual financial statements have been prepared to comply with the requirements of the Bank of Namibia Act, 1997 and with the requirements of International Financial Reporting Standards (IFRS).

1.1 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards and amendments issued but not effective for December 2008 year-end:

Number	Title	Effective date
IFRS 8	*Operating Segments*	1 Jan 2009
IAS 23	*Borrowing Costs – Revised*	1 Jan 2009
IAS 1	*Presentation of Financial Statements – Revised*	1 Jan 2009
IAS 27	*Consolidated and Separate Financial Statements – Revised*	1 Jul 2009
IFRS 3	*Business Combinations – Revised*	1 Jul 2009
Amendment to IFRS 2	*Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations*	1 Jan 2009
Amendment to IAS 32 and IAS 1	*Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation*	1 Jan 2009
N/a	*Improvements to IFRSs*	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2009
Amendments to IFRS 1 and IAS 27	*Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2009
Amendments to IAS 39	*Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting*	1 July 2009

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1. ACCOUNTING POLICIES (CONTINUED)

Interpretations of International Financial Reporting Standards effective for the first time for December 2008 year-end

Number	Title	Effective date
IFRIC 11	*IFRS 2 – Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	*Service Concession Arrangements*	1 Jan 2008
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 Jan 2008

Interpretations of International Financial Reporting Standards issued but not effective for December 2008 year-end

IFRIC 13	*Customer Loyalty Programmes*	1 Jul 2008
IFRIC 15	*Agreements for the Construction of Real Estate*	1 Jan 2009
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	1 Oct 2008
IFRIC 17	*Distributions of non-cash assets*	1 Jan 2009
IFRIC 18	*Transfer of assets from customers*	1 July 2009

The Bank has reviewed the above detailed statements and do not expect them to have an impact on the Bank's financial statements.

1.2 APPROPRIATION OF PROFITS

Appropriation of Profits		501 617	181 122
General reserve	13	228 267	61 122
Building fund reserve	15	20 000	50 000
Development fund reserve	16	-	-
Distribution to State Revenue Fund		253 350	70 000

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The major areas where management has used its judgment and accounting estimates are with regards to:

1. Contingent liability disclosed under note 22.

   The expert opinion and advice of our legal practitioners has been obtained and it is their considered opinion that the case has no substance and a judgement will be granted in favour of the Bank.

2. Provision for post employment benefits disclosed under note 17.

   An Actuary was appointed to perform the valuation to determine the Bank's obligation in this regard. The assumptions and judgments used by the actuary were considered by the Bank and were deemed reasonable in light of the prevailing and anticipated future economic conditions.

1. ACCOUNTING POLICIES (CONTINUED)

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

3. Evaluation of useful lives and residual values as disclosed under note 3.

   The residual value and useful life evaluation exercise was performed by internal staff members who had technical knowledge of specific classes of assets. Market information with regards to pricing was also obtained to ensure the required level of objectivity was maintained in the whole evaluation process.

4. Accounting for off-market loans as disclosed under note 6.

   Management judgement was applied to determine the average repayment period on the various classes of loans granted by the Bank. Prevailing interest rates at year end was however applied to determine the impairment charge for the year on new off market loans.

1.4 REVENUE RECOGNITION

Interest income is recognised on a time proportioned basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. The effective interest rate takes into account all directly attributable external costs, discounts or premiums on the financial assets.

Rand compensation income is received from the South African Government as compensation for the Rand currency in circulation in Namibia. The Bank accounts for this income on an accrual basis.

1.5 FINANCIAL INSTRUMENTS

Financial instruments as reflected on the Bank's balance sheet include all financial assets and financial liabilities. Management determines the appropriate classification at initial recognition of the financial instrument. Depending on their classification, financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is a current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In inactive markets, the most recent arm's length transactions are the basis of current fair values. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale.

It is to be noted that the Bank does not invest in financial instruments which are not quoted in an active market, however should our investment philosophy change, valuation techniques such cash flows models and consideration of financial data of the investees will be used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures will be made in the financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly, different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

Amortised costs is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest rate method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium, are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate on the carrying amount). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a short period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

The Bank classifies its financial instruments as follows:

Classification - Financial Assets

Loans and Receivables – amortised cost

- Loans and advances
- Repurchase agreements
- Amounts due from the Government
- Accounts receivable

At fair value through profit or loss

Designated
- External portfolio investments

Held to maturity financial assets
- External money market investments

All the Financial assets of the Bank are neither past due or impaired.

Classification - Financial Liabilities

At amortised cost
- Other liabilities
- Bank of Namibia 52 day Bills
- Notes and coins issued
- Amounts due to the Government
- Commercial bank deposits
- Accounts payable

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

Recognition

The Bank recognises financial instruments held for trading on the date it becomes party to the contractual provisions to purchase the asset and applies trade date accounting for "regular way" purchases and sales. Subsequent to initial recognition, all instruments are measured at fair value which is determined by instrument type based on accepted valuation concepts. Loans and advances, other receivables and other financial liabilities are recognised on the day they are transferred to the Bank or on the day the funds are advanced.

Measurement

Financial instruments are initially measured at cost which includes transaction costs and this value approximates the fair value of the instruments. Subsequent to initial measurement financial instruments are measured at fair value or amortised cost depending on their classification. Gains and losses arising from a change in the fair value of trading instruments are recognised in the income statement of the period in which it arises.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or if it is designated by the Bank as at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in these categories are classified as current assets.

Designated – External portfolio investments

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. The Bank recognises movements in the fair values of these assets in the profit or loss account for the relevant year. The fair value of marketable securities within the portfolio are obtained from quoted market prices and for unquoted securities acceptable valuation techniques are used to determine the fair value.

Held to maturity - External money market investments

Held to maturity money market investments are non – derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Money market investments are stated at amortised cost.

Loans and advances, receivables and non-trading liabilities

These are measured at amortised cost and re-measured for impairment losses, except where cost approximates amortised cost as set out below:

Amounts due to the Government, bankers reserve and current accounts are stated at cost as these accounts do not have fixed maturity dates.

Notes and coins issued are measured at face value as this liability does not have a fixed maturity date.

Accounts payable are stated at cost as this approximates fair value due to the short term nature of such obligations.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

Reclassification

It is a requirement that institutions should disclose when it has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value, or vice versa, at fair value rather than at cost or amortised cost. The Bank has not reclassified any of its financial assets during the year under review.

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired would include breach of contract such as default on interest and capital repayments, bankruptcy of the borrower, downgrading of the ratings of the institutions by rating agencies, etc.

De-recognition

The Bank de-recognises a financial asset only when the contractual rights to the cash flows from the asset expires or where the Bank transfers the contractual rights to receive the cash flows of the financial asset. De-recognition also occurs when the Bank retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to a third party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the Bank retains substantially all the risks and rewards of ownership of the financial asset, it continues to be recognised as a financial asset. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The Bank did not transfer financial assets in such a way that part of the asset did not qualify for de-recognition.

Collateral

The Bank obtained in financial year 2006 a syndicated loan from a consortium of European Bankers without having to provide or pledge collateral in any form. The loan was repaid in August 2007.

The Bank provides overnight and seven day loans (Repo’s) to Commercial Banks to cover for temporary liquidity shortages. The commercial banks pledge eligible securities in the form of Government bonds, treasury bills, etc, as collateral for this facility. The Bank is not permitted to sell or re-pledge these securities in the absence of default from the said commercial banks. As at 31 December the overnight repo’s granted to commercial banks and the associated collateral pledged is a follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

	2008 N$'000	2007 N$'000
Repo's granted to Commercial Banks	127 694	127 521
Fair value of collateral pledged as security	130 000	141 690

The issue value of the securities approximates fair value given the lack of an active secondary market where such securities can be traded. As the securities pledged are government securities the Bank's credit risk exposure is considered insignificant.

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Credit losses

The Bank's financial assets were not impaired as a consequence of credit losses, however when instances of this nature occur the Bank records the impairment in a separate impairment account rather than directly reducing the carrying amount of the concerned assets.

Defaults and breaches

The Bank did not default on any of its loan commitments both during the current and previous financial year.

Income statement net gains or losses

	2008 N$'000	2007 N$'000
Financial assets – at fair value through profit or loss		
Designated		
External portfolio investments – net gains	260 808	19 111
	260 808	19 111

The Bank reviewed its financial assets and determined that there was no impairment adjustments that needed to be made for valuation purposes.

1.6 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 below:

- increase the paid up capital of the Bank;
- offset losses sustained by the Bank during a financial year;
- fund a Development Reserve Account; and
- redeem any securities issued by the Bank.

The amount maintained in this account relates to the annual appropriation of distributable profits determined by Section 15 of the Bank of Namibia Act. The Act prescribes that not less than 30% of the net profits of the Bank for a financial year be transferred to the General Reserve Account.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FOREIGN CURRENCY ACTIVITIES AND REVALUATION RESERVE

The Revaluation reserve has been created in accordance with Section 31 of the Bank of Namibia Act and is used to accommodate any net gains or losses in any financial year of the Bank arising from any change in the book value or realised value of the Bank's Assets or Liabilities denominated in currencies or units of account other than the Domestic Currency, such as gold, special drawing rights and foreign currencies. Any change in the value of such currencies or units of account in terms of the currency of Namibia, shall be credited to the Revaluation Reserve Account before any appropriation to any other 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 before appropriation of profits.

1.8 BUILDING FUND RESERVE

This reserve was created in the financial year 2006 to set aside funds for the construction of the Bank's Disaster Recovery Building. The Disaster Recovery Building is expected to host the Bank's disaster recovery equipment as well as have adequate space to accommodate the Bank employees in the event of a disaster situation. Annual profits appropriated will be credited to the reserve and on completion of the construction of the building, the reserve so created will be released to the General Reserve.

1.9 DEVELOPMENT FUND RESERVE

The reserve was created to provide a grant to the Development Bank of Namibia. The Bank committed a total of N$45 million, and profits from year 2001 were appropriated for this purpose. A precondition to the disbursement was the running of the Development Bank of Namibia in accordance with their strategic document and good governance. The grant was fully disbursed during the financial year 2007.

1.10 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are depreciated on the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The Bank reassesses the residual value and useful life of all assets on an annual basis and the revised useful life in years, is as detailed below:

Freehold buildings	50 years
Computer hardware	2-4 years
Motor vehicles	4 years
Furniture, fittings and equipment	4-17 years
Note Sorting Machines	10-18 years

The residual value on the building is benchmarked to similar structures in the country and did not call for any adjustment in residual value both in the previous year and the current year. Subsequent costs are included in the assets carrying value only when it is probable that future economic benefits associated with the assets will accrue to the Bank. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 INTANGIBLE ASSETS – COMPUTER SOFTWARE

On acquisition the software is capitalised at purchase price and amortised on a straight line basis with zero residual value. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in the estimate accounted for on a prospective basis. The Bank reassesses the residual value and useful life of Computer software on an annual basis and the useful life has been set to range between 3 and 10 years.

1.12 INVENTORY

Currency

The costs of new Namibia bank notes and coins are capitalised and amortised on the earlier of issue of the currency or over five years. Cost comprises of printing and minting costs, carriage, insurance and freight landed at the Bank's premises. Currency is issued using the weighted average cost.

Stationery and spares

Stationery and spares inventory are capitalised and stated at the lower of cost and net realisable value. Cost comprises of purchase price as well as applicable freight for imported spare parts. Inventory is issued using the weighted average costs.

1.13 PENSION FUND

It is the policy of the Bank to contribute to the retirement benefits for employees. Contributions to the provident fund are charged against income in the year in which they become payable.

1.14 IMPAIRMENT OF NON FINANCIAL ASSETS

The carrying amount of the assets of the Bank are 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.

1.15 POST- EMPLOYMENT MEDICAL BENEFITS

The Bank provides for post-employment 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. ACCOUNTING POLICIES (CONTINUED)

1.16 CASH FLOW STATEMENT

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 balance sheet. However, the Bank has the ability to create cash when needed.

1.17 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.

1.18 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.

1.19 BORROWING COSTS

Borrowing costs are primarily interest and other costs incurred by the Bank in connection with the borrowing of funds. Borrowing costs are recognised on a time proportioned basis, taking account of the principal outstanding and the effective interest rate over the period of the loan and are expensed accordingly.

1.20 IAS 20 – ACCOUNTING FOR GOVERNMENT GRANTS

The Bank accounts for grants received from the Government as income in the period in which the monies are received and are matched against related costs on a systematic basis. Surpluses are carried forward and released to the income statement of the following year, however deficits are carried forward as assets and Government funding received in the following year is used to off-set the asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

2. RESULTS FOR THE YEAR

Profit for the year is arrived at after taking the following items into account:

	2008 N$'000	2007 N$'000
Interest Income		
Namibia Dollar & Rand Currency	**371 804**	**133 263**
Debt securities – fair value through profit or loss	108 118	14 283
Money market instruments – fair value through profit or loss	179 739	100 256
Money market instruments – held to maturity	83 947	18 724
Other Currency	**225 583**	**192 428**
Debt securities – fair value through profit or loss	173 320	136 017
Money market instruments – fair value through profit or loss	36 850	37 328
Money market instruments – held to maturity	15 413	19 083
Unwinding of present value adjustments	2 191	1 883
	599 578	327 574
Other Income		
Rand compensation income	145 969	132 591
Profit on disposal of property, equipment and intangible assets	-	-
Sundry income	18 133	5 738
	164 102	138 329
Government Grant – Financial Intelligence Centre Funding*	6 246	1 781
Operating Expenses		
Depreciation	5 366	6 632
Amortisation of computer software	2 232	2 512
Currency inventory amortisation costs	18 035	16 074
Other inventory expensed	993	913
Salaries and related personnel costs	111 210	77 947
Staff training and development	2 413	2 807
Social responsibility	1 538	707
Board members' fees - for services as board members	198	231
Auditors' remuneration - audit fees	519	664
Membership fees	98	139
Building and other maintenance costs	5 043	4 498
Loss on disposal of property, equipment and intangible assets	176	-
Amortisation of prepaid long-term employee benefit	2 191	1 883
Other expenditure	18 353	31 591
Total operational expenditure	**168 365**	**146 598**
Number of employees	296	281

*The Financial Intelligence Centre (FIC) was formed by an Act of Parliament and its operations commenced in the year 2007. The Act prescribes that the Bank of Namibia shall host the FIC and will be responsible and accountable for all its operational and administrative activities. The operations of the FIC are funded by an annual grant by the Government of the Republic of Namibia to Bank of Namibia. Unutilised grant funding received is carried forward into the following financial year and released to the profit or loss account for that year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

B

3. PROPERTY AND EQUIPMENT

2008 Cost	Freehold Land and Buildings N$'000	Computer Hardware N$'000	Furniture Fittings & Equipment N$'000	Motor Vehicles N$'000	Total N$'000
At 1 January 2008	143 196	12 029	64 196	1 506	220 927
Additions	1 249	1 684	6 358	-	9 291
Disposals/write-offs	-	(702)	(4 322)	-	(5 024)
At 31 December 2008	**144 445**	**13 011**	**66 232**	**1 506**	**225 194**
Accumulated depreciation					
At 1 January 2008	21 313	9 751	36 686	1 206	68 956
Current year charge	2 794	785	6 355	209	10 143
Disposals/write-offs	-	(664)	(4 060)	-	(4 724)
Adjustments	-	(386)	(4 214)	(176)	(4 776)
At 31 December 2008	**24 107**	**9 486**	**34 767**	**1 239**	**69 599**
Carrying value					
At 1 January 2008	**121 883**	**2 278**	**27 510**	**300**	**151 971**
At 31 December 2008	**120 338**	**3 525**	**31 465**	**267**	**155 595**
2007					
Cost					
At 1 January 2007	142 353	9 573	56 002	1 291	209 219
Additions	843	2 456	8 195	215	11 709
Disposals/write-offs	-	-	(1)	-	(1)
At 31 December 2007	**143 196**	**12 029**	**64 196**	**1 506**	**220 927**
Accumulated depreciation					
At 1 January 2007	18 538	8 759	33 897	1 131	62 325
Current year charge	2 775	992	5 369	75	9 211
Disposals/write-offs	-	-	(1)	-	(1)
Adjustments	-	-	(2 579)	-	(2 579)
At 31 December 2007	**21 313**	**9 751**	**36 686**	**1 206**	**68 956**
Carrying value					
At 1 January 2007	**123 815**	**814**	**22 105**	**160**	**146 894**
At 31 December 2007	**121 883**	**2 278**	**27 510**	**300**	**151 971**

In line with the requirements of IAS 16: *Property, Plant & Equipment* the Bank reviewed the residual value and useful life of all classes of Assets. As required by the Statement, adjustments were processed prospectively and charged to the current year's Income Statement.

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
31 DECEMBER 2008 (CONTINUED)

4. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	N$'000
2008	
Cost	
At 1 January 2008	19 467
Additions	7 802
Disposals/transfers	116
At 31 December 2008	**27 385**
Amortisation	
At 1 January 2008	13 288
Current year charge	2 232
At 31 December 2008	**15 520**
Carrying value	
At 1 January 2008	**6 179**
At 31 December 2008	**11 865**
2007	
Cost	
At 1 January 2007	17 656
Additions	1 811
At 31 December 2007	**19 467**
Amortisation	
At 1 January 2007	10 776
Current year charge	2 512
At 31 December 2007	**13 288**
Carrying value	
At 1 January 2007	**6 880**
At 31 December 2007	**6 179**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2008 (CONTINUED)

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5. CURRENCY COSTS - NOTES AND COINS

	2008 N$'000	2007 N$'000
Opening Balance	26 926	12 544
Purchases current year	11 962	30 456
Amortisation current year	(18 035)	(16 074)
Closing Balance	20 853	26 926

6. LOANS AND ADVANCES

	2008 N$'000	2007 N$'000
Staff loans	24 936	21 825
Less: Present value adjustment for off-market loans	**(3 903)**	**(3 401)**
Opening balance – 1 January	(3 401)	(2 557)
Current year fair value adjustment of new loans	(2 693)	(2 727)
Amortised to Income statement	2 191	1 883
Add: Staff Long term benefit	**3 903**	**3 401**
Opening balance – 1 January	3 401	2 557
Current year Fair value adjustment of new loans	2 693	2 727
Amortised to Income statement	(2 191)	(1 883)
Net staff loans	24 936	21 825
Other loans	8 477	8 478
Short-term portion of loans **(Note 8)**	(8 759)	(8 741)
Closing Balance	24 654	21 562

7. INVESTMENTS

	2008 N$'000	2007 N$'000
Rand currency		
Fair value through profit or loss		
Designated		
Debt securities	4 395 142	2 521 455
Held to maturity		
Money market instruments	977 375	300 303
	5 372 517	2 821 758
Other currencies		
Fair value through profit or loss		
Designated		
Debt Securities	6 868 938	2 508 192
Held to maturity		
Money market instruments	470 809	1 217 869
	7 339 747	3 726 061
Total Investments	12 712 264	6 547 819

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

8. LOANS AND ADVANCES

	2008 N$'000	2007 N$'000
Local banks	-	753 298
Repurchase agreements – local banks	127 694	127 521
	127 694	880 819
Add: Short-term portion of long-term loans **(Note 6)**	8 759	8 741
	136 453	889 560

Loans and advances to local banks relate to investments held with the commercial banks on behalf of the Government for the debt management programme.

Repurchase agreements are over night and seven day loan facilities granted to the commercial banks to cover for temporary liquidity shortages. The over night and seven day repurchase agreements are granted to banking institutions to draw under the credit facility an amount equal to the total adjusted value of eligible securities pledged by each banking institution as collateral to Bank of Namibia.

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9. RAND CASH

	2008 N$'000	2007 N$'000
	43 770	108 658
Closing Balance	43 770	108 658

Rand cash is the Rand currency in circulation in Namibia. Commercial Banks deposit the Rand currency collected at their various branches at the Bank of Namibia. The Bank of Namibia in turn repatriates the said currency to the South African Reserve Bank based on predetermined currency values.

10. OTHER INVENTORY - STATIONERY AND SPARES

	2008 N$'000	2007 N$'000
Opening Balance	1 982	2 086
Purchases current year	547	809
Issues current year	(612)	(913)
Closing Balance	1 917	1 982

11. OTHER RECEIVABLES

	2008 N$'000	2007 N$'000
Rand compensation receivable – Government	146 082	132 703
Accounts receivable	8 220	15 870
IMF – special drawing rights	290	209
	154 592	148 782

12. SHARE CAPITAL & CAPITAL MANAGEMENT

	2008 N$'000	2007 N$'000
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

The Capital is the amount subscribed by the Government in accordance with Section 14 of the Bank of Namibia Act, (Act No. 15 of 1997). The Bank is not subject to any externally imposed capital requirements however annually the appropriation of the profits is approved by the Government which requires that a minimum percent of the annual profits is transferred to the general reserve which forms part of the Bank's capital.

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13. GENERAL RESERVE

	2008 N$'000	2007 N$'000
Opening Balance	367 432	306 310
Appropriation of net profit for the year	228 267	61 122
Closing Balance	595 699	367 432

14. REVALUATION RESERVE

	2008 N$'000	2007 N$'000
Opening Balance	722 023	587 381
Net foreign exchange gains	1 705 205	134 642
Closing Balance	2 427 228	722 023

The Revaluation reserve has been created in accordance with Section 31 of the Bank of Namibia Act. The Act requires that both realised and unrealised gains and losses be transferred to the Revaluation Reserve account.

15. BUILDING FUND RESERVE

	2008 N$'000	2007 N$'000
Opening Balance	60 000	10 000
Appropriation of net profit for the year	20 000	50 000
Closing Balance	80 000	60 000

This reserve has been created to provide funds for the construction of the Bank's Disaster Recovery Building.

16. DEVELOPMENT FUND RESERVE

	2008 N$'000	2007 N$'000
Opening Balance	-	10 000
Disbursement	-	(10 000)
Appropriation of net profit for the year	-	-
Closing Balance	-	-

The reserve was created to provide a grant to the Development Bank of Namibia. The grant was fully disbursed during the last financial year.

17. PROVISION FOR POST EMPLOYMENT BENEFITS

The Bank provides post employment medical benefits to retired staff members. A provision for the liability has been created which covers the total liability i.e. the accumulated post employment medical benefits at fair value as at 31 December 2008.

	2008 N$'000	2007 N$'000
Opening Liability	17 468	15 360
Interest costs	1 536	1 747
Current service costs	964	1 059
Benefit payments	(392)	(420)
Actuarial loss/gain	2 360	(278)
Closing Liability	21 936	17 468
Current portion of post employment benefits obligation	(634)	(477)
Non-current portion of post employment benefits obligation	21 302	16 991

Key assumptions	**2008**	**2007**
Discount rate	11% p.a.	10% p.a
Medical inflation	9% p.a.	7.32% p.a
Valuation date	31 December 2008	31 December 2006

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

17. PROVISION FOR POST EMPLOYMENT BENEFITS (CONTINUED)

The effect of a 1% movement in the assumed medical cost trend rate is as follows:	Increase N$'000	Decrease N$'000
Effect on the aggregate of the current service cost and interest cost	5 042	4 587
Effect on the defined benefit obligation	26 978	17 349

At 31 December	2008 N$'000	2007 N$'000	2006 N$'000	2005 N$'000	2004 N$'000
Present value of post retirement benefit obligation	21 936	17 468	15 360	14 437	12 265

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18. NOTES AND COINS IN CIRCULATION

	2008 N$'000	2007 N$'000
Notes	1 558 095	1 235 703
Coins	98 833	88 046
	1 656 928	1 323 749

19. DEPOSITS

	2008 N$'000	2007 N$'000
Government of the Republic of Namibia	6 794 922	4 295 836
Domestic bankers' reserve account	354 044	309 427
Domestic bankers' current account	113 886	14 495
Domestic bankers' call account	226 594	-
Bank of Namibia 52 day Bills measured at amortised cost	749 643	627 702
Other – Pre-funded donor funds at cost	166 195	87 019
	8 405 284	5 334 479

Banker's reserve and current account balances have no fixed maturity and attract no interest. The Call account however attracts interest at the prevailing rate as determined by the Bank of Namibia.

Interest is payable to the Government of the Republic of Namibia on deposits in excess of N$250 million (2007: N$250 million) at the 91 day Treasury Bill rate less a discount of 4.5%. Included in the Government deposit balance is the unutilised Government Grant FIC, funding balance of N$1.1 million

The Bank issued debt instruments at various maturity dates and discount rates in the form of 52 day Bank of Namibia bills for liquidity management purposes and also to provide secured debt instruments for participants of the Namibian financial markets.

The pre-funded donor funds are monies received on behalf of the Government for various donor funded projects being undertaken in the country. These funds have no maturity dates and attract no interest.

20. TRADE AND OTHER PAYABLES

	2008 N$'000	2007 N$'000
Sundry Creditors	34 888	38 288

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2008 (CONTINUED)

21. GUARANTEES

The Bank used to guarantee a percentage of housing loans granted to employees by certain financial institutions. The guarantee facility was however withdrawn during the 2008 financial year and the cash collateral provided to commercial banks was released.

22. 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$27.3 million. (2007: N$19.8 million). The Bank views the case as having no substance and is addressing it in conjunction with its legal advisors.

23. 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. 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's contributions for the year amounted to N$11 258 142 (31 December 2007: N$9 691 768).

24. 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.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The investment of foreign currency (FX) reserves in financial instruments gives rise to exposure to various types of risk which include market, currency, interest rate, credit and liquidity risk. Risk management at the Bank of Namibia, forms an integral part of reserves management within the governance structures of the Bank starting from the level of the Board and down to the Financial Markets Department (FMD). The Board defines the investment guidelines and the Bank's strategic asset allocation. The International Reserves Management Committee formulates the investment mandate for the portfolio managers and monitors compliance with the investment guidelines. The FMD is responsible for managing the reserves and has a Risk & Analytics section that monitors compliance to assigned risk measures on a daily basis. The types of risk that the foreign currency reserves are exposed to and the Bank's risk management approaches are stated below:

25.1 MARKET RISK

Market price risk is the risk of loss resulting from changes 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 to the valuation of purchased securities and by using modern technology and appropriate organisational structures and procedures. The Bank follows a portfolio indexation which is a passive portfolio management strategy, which aims to construct a portfolio whose risk and return follows those of a defined benchmark.

25.1.1 INTEREST RATE RISK

Since FX reserves are invested in fixed income instruments, the Bank is exposed to interest rate risk, which is the risk that the market value of the securities will decline due to changes in market interest rates. Modified duration is the key measure for interest rate risk and quantifies the sensitivity of the value of a fixed income instrument to changes in interest rates. The Bank uses the investment benchmark's target duration as a means of managing the interest rate risk. As at 31 December 2008, the modified durations of the EUR and USD investment tranche were 3.594 and 1.833 as opposed to 3.59 and 1.756 for the respective benchmarks. This shows a close tracking of the benchmark characteristics which reflect the objective of portfolio indexation (or index replication) of creating a portfolio that matches the risk and return characteristics of the index. The sensitivity analysis tables below measure the impact of a 100 basis points increase in interest rates on both the EUR and USD portfolios and compares with portfolio holdings of 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2008 (CONTINUED)

25.1.1 INTEREST RATE RISK (CONTINUED)

IMPACT OF 100 BASIS POINTS SHOCK ON EUR PORTFOLIO - 2008

Instrument	Amount invested N$'000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 1% Shock	Estimate Total Return	Return Contr	Effect on Income Statement N$'000
Overnight	4,434	1.14%	2.50%	0.00	0.00	3.50%	3.50%	0.01%	44
Money Market	89,363	22.94%	1.70%	0.21	0.05	2.70%	2.49%	0.18%	706
Bonds	295,678	75.92%	2.66%	3.59	2.73	3.66%	0.07%	-1.97%	(7,658)
	389 475	**100.00%**	**2.44%**	**2.77**	**2.77**	**-**	**0.66%**	**-1.77%**	**(6,908)**

IMPACT OF 100 BASIS POINTS SHOCK ON USD PORTFOLIO - 2008

Instrument	Amount invested N$'000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 1% Shock	Estimate Total Return	Return Contr	Effect on Income Statement N$'000
Overnight	7,186	3.87%	0.25%	0.00	0.00	1.25%	1.250%	0.03%	72
Money Mark	112,675	60.78%	0.42%	0.19	0.10	1.42%	1.230%	0.44%	913
Bonds	65,528	35.35%	0.53%	1.83	0.58	1.53%	0.000%	-0.17%	(347)
	185 388	**100.00%**	**0.40%**	**0.68**	**0.68**	**-**	**0.71%**	**0.31%**	**637**

The sensitivity analysis above for 2008 indicates that the portfolios were exposed to higher interest rates when compared to 2007, as the EURO and USD had durations of 2.77 and 0.68 respectively. However, this is in line with the new Strategic Asset Allocation (SAA) objective of maximizing expected returns over a one year investment horizon subject to avoiding negative returns at a 99% confidence level for the overall portfolio. This represents a shift from the previous lower duration, which was set when the reserve levels were low.

IMPACT OF 100 BASIS POINTS SHOCK ON EUR PORTFOLIO - 2007

Instrument	Amount invested N$'000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 1% Shock	Estimate Total Return	Return Contr	Effect on Income Statement N$'000
Overnight	16 190	7.13%	3.60%	0.00	0.00	4.60%	4.60%	0.07%	1 623
1m FIXBIS	93 168	41.04%	3.74%	0.01	0.00	4.74%	4.73%	0.41%	9 264
12m FIXBIS	88 516	38.99%	3.86%	0.94	0.37	4.86%	3.92%	0.02%	542
2yr BIS MTI	29 134	12.83%	4.07%	1.75	0.22	5.07%	3.32%	-0.10%	(2 191)
	227 008	**100.00%**	**-**	**-**	**0.59**	**-**	**-**	**0.40%**	**9 238**

IMPACT OF 100 BASIS POINTS SHOCK ON USD PORTFOLIO - 2007

Instrument	Amount invested N$'000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 1% Shock	Estimate Total Return	Return Contr	Effect on Income Statement N$'000
Overnight	8 569	4.11%	4.04%	0.00	0.00	5.04%	5.04%	0.04%	583
Cash	172 317	82.75%	5.41%	0.00	0.00	6.41%	6.41%	0.83%	11 723
6m TB	-	0.00%	0.00%	0.00	0.00	1.00%	0.00%	0.00%	-
12m FIXBIS	-	0.00%	0.00%	0.00	0.00	1.00%	0.00%	0.00%	-
2yr T-Note	27 363	13.14%	2.96%	1.85	0.24	3.96%	2.11%	-0.11%	(1 582)
	208 249	**100.00%**	**-**	**-**	**0.24**	**-**	**-**	**0.76%**	**10 724**

From the sensitivity analysis above, it is evident that the low duration of the portfolio minimizes the impact of interest rate risks associated with rising interest rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.1.1 INTEREST RATE RISK (CONTINUED)

INTEREST RATE REPRICING

The following table summarises the Bank's interest rate exposure in the form of an interest rate repricing table. This shows when the interest rate earned or charged on assets and liabilities are expected to change. The table can therefore be used as the basis for an assessment of the sensitivity of the Bank's net income to interest rate movements.

AS AT YEAR ENDED 31 DECEMBER 2008

N$'000	0 – 3 Months	3 – 12 Months	1 - 5 Years	Non Interest Bearing	Total
Assets					
Property, equipment and intangible assets	-	-	-	167 460	167 460
Inventory	-	-	-	22 770	22 770
Loans and advances - non current	-	-	24 654	-	24 654
Investment	12 712 264	-	-	-	12 712 264
Loans and advances - current	127 694	8 759	-	-	136 453
Rand cash	-	-	-	43 770	43 770
Other receivables	-	-	-	154 592	154 592
Total Assets	**12 839 958**	**8 759**	**24 654**	**388 592**	**13 261 963**
Equity and Liabilities					
Shareholders' equity	-	-	-	3 142 927	3 142 927
Post employment benefits	-	-	-	21 936	21 936
Note and coins in circulation	-	-	-	1 656 928	1 656 928
Deposits	7 885 045	-	-	520 239	8 405 284
Trade and other payables	-	-	-	34 888	34 888
Total Equity and Liabilities	**7 885 045**	**-**	**-**	**5 376 918**	**13 261 963**
Interest rate repricing gap	**4 954 913**	**8 759**	**24 654**	**(4 988 326)**	**-**

AS AT YEAR ENDED 31 DECEMBER 2007

N$'000	0 – 3 Months	3 – 12 Months	1 - 5 Years	Non Interest Bearing	Total
Assets					
Property, equipment and intangible assets	-	-	-	158 150	158 150
Inventory	-	-	-	28 908	28 908
Loans and advances - non current	-	-	21 562	-	21 562
Investment	6 547 819	-	-	-	6 547 819
Loans and advances - current	127 521	762 039	-	-	889 560
Rand cash	-	-	-	108 658	108 658
Other receivables	-	-	-	148 782	148 782
Total Assets	**6 675 340**	**762 039**	**21 562**	**444 498**	**7 903 439**
Equity and Liabilities					
Shareholders' equity	-	-	-	1 189 455	1 189 455
Post employment benefits	-	-	-	17 468	17 468
Note and coins in circulation	-	-	-	1 323 749	1 323 749
Deposits	4 938 033	-	-	396 446	5 334 479
Trade and other payables	-	-	-	38 288	38 288
Total Equity and Liabilities	**4 938 033**	**-**	**-**	**2 965 406**	**7 903 439**
Interest rate repricing gap	**1 737 307**	**762 039**	**21 562**	**(2 520 908)**	**-**

B

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.1.2 CURRENCY RISK

FX reserves are held in foreign currencies and this gives rise to a risk that the reserves will decline in value due to adverse changes in foreign exchange rates. In terms of the Investment policy and guidelines, foreign exchange risk is managed on indexation basis through a currency composition (benchmark) that provides a natural hedge against potential liabilities. The currency composition of the FX reserves reflects the currency distribution of the country's short-term external debt, imports and other contingent liabilities. The bank revised its SAA in 2008 and as a result of that revision foreign reserves were divided into three tranches namely: Working capital, Liquidity and Investment Tranche which in return are composed of different currencies. The following is the benchmark portfolio used to manage this risk.

Instruments	ZAR Portfolio	USD Portfolio	EUR Portfolio
Working Capital	**500 mil - 2500 mil**	**0 mil – 10mil**	**0 mil – 5 mil**
Liquidity Tranche	**20%**	**25%**	**55%**
Cash	100%	80%	40%
Bonds	-	20%	60%
Investment Tranche	**0%**	**30%**	**70%**
Cash	-	10%	0%
Bonds	-	90%	100%

RISK-RETURN PREFERENCES PER TRANCHE

Tranche	Horizon	Objective
Working Capital	0-3 Months	Provide Liquidity, 100% Cash
Liquidity	3-12 Months	Maximize returns subject to avoiding negative returns at 99% confidence
Investment	1-3 Years	Maximize returns subject to a shortfall of 100 bps with 95% probability

- The ZAR portfolio is restricted to money market instruments only and the portfolio parameters are arrived at, using the 12 month investment horizon, with a worst case return requirement of 0 percent and a maximum duration of 45 days.
- The maximum maturity of any instrument is restricted to 5 years and not more.
- A 10 percent depreciation of the Namibia dollar to other convertible currencies would result in the Namibia Dollar equivalent of our foreign currency investments increasing to N$ 8.02 billion and in the same vein a 10 percent appreciation of our currency would result in a decline in our foreign currency investments balances to N$ 6.5 billion.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.1.2 CURRENCY RISK (CONTINUED)

AT 31 DECEMBER 2008 THE BANK HAD THE FOLLOWING CURRENCY POSITION EXPOSURES

	N$ '000	ZAR '000	Euro '000	US$ '000	Other '000	Total '000
Assets						
Property, equipment and intangible assets	167 460	-	-	-	-	167 460
Currency inventory – notes and coins	20 853	-	-	-	-	20 853
Loans and advances - non current	24 654	-	-	-	-	24 654
Investment	-	5 372 517	5 052 217	2 279 379	8 151	12 712 264
Loans and advances - current	136 453	-	-	-	-	136 453
Rand cash	-	43 770	-	-	-	43 770
Other inventory – stationery & spares	1 917	-	-	-	-	1 917
Other receivables	8 510	146 082	-	-	-	154 592
Total Assets	**359 847**	**5 562 369**	**5 052 217**	**2 279 379**	**8 151**	**13 261 963**
Equity and Liabilities						
Post employment benefits	21 936	-	-	-	-	21 936
Note and coins in circulation	1 656 928	-	-	-	-	1 656 928
Deposits	8 244 096	58 163	35 672	67 353	-	8 405 284
Trade and other payables	34 888	-	-	-	-	34 888
Total Equity and Liabilities	**9 957 848**	**58 163**	**35 672**	**67 353**	**-**	**10 119 036**
Net Balance Sheet position	**(9 598 001)**	**5 504 206**	**5 016 545**	**2 212 026**	**8 151**	**3 142 927**

AT 31 DECEMBER 2007 THE BANK HAD THE FOLLOWING CURRENCY POSITION EXPOSURES

	N$ '000	ZAR '000	Euro '000	US$ '000	Other '000	Total '000
ASSETS						
Property, equipment and intangible assets	158 150	-	-	-	-	158 150
Currency inventory – notes and coins	26 926	-	-	-	-	26 926
Loans and advances – non current	21 562	-	-	-	-	21 562
Investments	-	2 821 773	2 276 868	1 448 130	1 048	6 547 819
Loans and advances – current	889 560	-	-	-	-	889 560
Rand Cash	-	108 658	-	-	-	108 658
Other inventory – stationery & spares	1 982	-	-	-	-	1 982
Other receivables	16 079	132 703	-	-	-	148 782
Total Assets	**1 114 259**	**3 063 134**	**2 276 868**	**1 448 130**	**1 048**	**7 903 439**
LIABILITIES						
Post employment benefits	17 468	-	-	-	-	17 468
Notes and coins in circulation	1 323 749	-	-	-	-	1 323 749
Deposits	5 252 481	30 719	2 209	49 070	-	5 334 479
Trade and other payables	38 288	-	-	-	-	38 288
Total Liabilities and Equity	**6 631 986**	**30 719**	**2 209**	**49 070**	**-**	**6 713 984**
Net Balance Sheet position	**(5 517 727)**	**3 032 415**	**2 274 659**	**1 399 060**	**1 048**	**1 189 455**

B

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.2 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will fail to meet its foreign exchange obligations when they fall due or the possibility that the Bank will incur huge capital losses when it disposes its securities in the secondary market. Liquidity is the second most important FX reserves management objective after capital preservation and the Bank seeks to maintain sufficient liquidity by investing in securities with an active secondary market. As at 31 December 2008, all investments could be liquidated within two working days, reflecting the highly liquid nature of the portfolio.

LIQUIDITY/OBLIGATIONS RISK ANALYSIS STATEMENT AS AT YEAR ENDED 31 DECEMBER 2008

N$'000	0 – 3 Months	4 – 12 Months	1 - 5 Years	No maturity	Total
Assets					
Property, equipment and intangible assets	-	-	-	167 460	167 460
Inventory	-	-	-	22 770	22 770
Loans and advances - non current	-	-	24 654	-	24 654
Investment	12 712 264	-	-	-	12 712 264
Loans and advances - current	127 694	8 759	-	-	136 453
Rand cash	-	-	-	43 770	43 770
Other receivables	-	-	-	154 592	154 592
Total Assets	**12 839 958**	**8 759**	**24 654**	**388 592**	**13 261 963**
Equity and Liabilities					
Shareholders' equity	-	-	-	3 142 927	3 142 927
Post employment benefits	-	-	-	21 936	21 936
Note and coins in circulation	-	-	-	1 656 928	1 656 928
Deposits	7 885 045	-	-	520 239	8 405 284
Trade and other payables	34 888	-	-	-	34 888
Total Equity and Liabilities	**7 919 933**	**-**	**-**	**5 342 030**	**13 261 963**
Liquidity sensitivity gap	**4 920 025**	**8 759**	**24 654**	**(4 953 438)**	**-**
Cumulative liquidity sensitivity gap	**4 920 025**	**4 928 784**	**4 953 438**	**-**	**-**

LIQUIDITY/OBLIGATIONS RISK ANALYSIS STATEMENT AS AT YEAR ENDED 31 DECEMBER 2007

N$'000	0 – 3 Months	4 – 12 Months	1 - 5 Years	No maturity	Total
Assets					
Property, equipment and intangible assets	-	-	-	158 150	158 150
Inventory	-	-	-	28 908	28 908
Loans and advances - non current	-	-	21 562	-	21 562
Investment	6 547 819	-	-	-	6 547 819
Loans and advances - current	127 521	762 039	-	-	889 560
Rand cash	-	-	-	108 658	108 658
Other receivables	-	-	-	148 782	148 782
Total Assets	**6 675 340**	**762 039**	**21 562**	**444 498**	**7 903 439**
Equity and Liabilities					
Shareholders' equity	-	-	-	1 189 455	1 189 455
Post employment benefits	-	-	-	17 468	17 468
Note and coins in circulation	-	-	-	1 323 749	1 323 749
Deposits	4 938 033	-	-	396 446	5 334 479
Trade and other payables	15 722	22 566	-	-	38 288
Total Equity and Liabilities	**4 953 755**	**22 566**	**-**	**2 927 118**	**7 903 439**
Liquidity sensitivity gap	**1 721 585**	**739 473**	**21 562**	**(2 482 620)**	**-**
Cumulative liquidity sensitivity gap	**1 721 585**	**2 461 058**	**2 482 620**	**-**	**-**

B

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2008 (CONTINUED)

25.3 CREDIT RISK

This is the risk that the Bank's counter-party will default on its contractual obligations resulting in a financial loss to the Bank. With safety of principal being the foremost investment objective, the Bank seeks to manage credit risk by investing in money market instruments issued by counterparts with a minimum short-term credit rating of F2. Longer-dated fixed income instruments are limited to issues by members of the OECD and the Republic of South Africa.

Detailed below is a table which provides rating information on institutions where the Bank invests its funds.

COUNTERPARTY NAMES	Country of Origin	Currency	Country Ceiling	Short-Term Rating	Long-Term Rating
Abn Amro Bank – Amsterdam	UK	EUR/USD/ZAR	AAA	F1+	AA-
Bank For International Settlement – Basle	Switzerland	EUR	AAA	NR	NR
Svenska Handelsbanken Stockholm SE	Sweden	SEK	AAA	F1+	AA-
Barclays Bank – London	UK	EUR/USD/ZAR	AAA	F1+	AA-
Bank Of Tokyo – London	UK	GBP/JPY	AAA	F1	A+
Deutsche Bank – London	UK	EUR/USD/ZAR	AAA	F1+	AA-
Deutsche Bank – Frankfurt	UK	EUR/USD/ZAR	AAA	F1+	AA-
Morgan Keegan	USA	EUR/USD/ZAR	AAA	NR	NR
Rabo Bank – London	Netherland	EUR/USD/ZAR	AAA	F1+	AA+
Std Chartered Bank – NY	USA	USD	AAA	F1	A+
Westdeutsche Landesbank – London	UK	EUR/USD/ZAR	AAA	F1	A-
Fed Reserve Bank – USA	USA	USD	AAA	NR	NR
Royal Bank Of Canada	Canada	EUR/USD/ZAR	AAA	F1+	AA
UBS Zurich	Switzerland	CHF	AAA	F1+	A+
Crown Agents	USA	EUR/USD/ZAR	AAA	F1	A
Abn Amro Bank – JHB	South Africa	EUR/USD/ZAR	A	F1+	AA-
Absa Bank – JHB	South Africa	EUR/USD/ZAR	A	F1	A
Calyon	South Africa	EUR/USD/ZAR	A	F1+	AA-
Citi Bank – JHB	South Africa	ZAR	A	F1+	A+
Investec – JHB	South Africa	ZAR	A	F2	BBB+
Nedbank – JHB	South Africa	ZAR	A	F2	BBB+
SCMB – JHB	South Africa	ZAR	A	F2	A-
SARB	South Africa	ZAR	A	NR	NR
Westpac Banking Corp	Australia	AUD	AAA	F1+	AA-
UBS Zurich	Switzerland	CHF	AAA	F1+	A+
Dresdner Bank – Frankfurt	Germany	EUR	AAA	F1	A
Standard Chartered Bank – London	UK	EUR/USD/ZAR	AAA	F1	A+
Bank Of England	UK	GBP	AAA	NR	AAA
Bank Of Tokyo – Mitsubishi	Japan	JPY	AAA	F1	A+
Nordbanken	Sweden	SEK	AAA	F1+	AA-
Citi Bank – New York	USA	USD	AAA	F1+	A+
First National Bank Of South Africa	South Africa	ZAR	A	A2	BBB+
Clearstream Banking	UK	EUR/USD	AAA	F1+	AA
Bank Of New York/SBSA	USA	EUR/USD/ZAR	AAA	F1+	AA-
Investec Fund Manager	South Africa	ZAR	A	NR	NR
Cadiz Fund Manager	South Africa	ZAR	A	NR	NR

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.3 CREDIT RISK (CONTINUED)

The table below shows the maximum exposure to credit risk for the financial instruments held. The maximum exposure is shown gross, before the effect of any mitigating factors.

INSTITUTIONAL CREDIT RISK RATING ANALYSIS

	Credit rating	2008 N$'000	2007 N$'000
NON – RAND CURRENCY			
Bank of England Current	AAA	163	-
BIS Fixbis – Euro	NR	-	1 825 313
BIS Euro Sight a/c	NR	58 502	161 867
BIS Euro Sight a/c.	NR	-	279 519
Swift Shares – Euro	NR	323	245
Bank of England – GBP	AAA	-	226
Fed Reserve – Auto Investment	NR	62 657	41 890
Barclays Bank London – Fixed Deposit – EURO	AA-	39 976	-
Barclays Bank – Fixed Deposit – USD	AA-	211 056	-
SBSA Bon - USD Cash a/c	NR	487 432	39
SBSA BoN	NR	137	-
Standard Chartered Bank London	A+	11	-
US Securities	AAA	-	186 065
Deutshe Bank London USD F/D	AA-	-	353 514
Fortis Bank Lome – Euro	AA-	-	8 274
STD Bank London Current a/c – GBP	A+	-	1
Dresdner Bank AG Current a/c – Euro	A	4 189	1 863
West Deutsche Land Fixed Deposit	A-	92 548	-
Bank of Tokyo Mitsubishi. Current a/c. – JPY	A+	7 760	15
Bank of Tokyo Mitsubishi Euro a/c	A+	67 088	-
Nordbanken Current a/c	AA-	20	21
UBS AG Zurich Current a/c	A+	61	52
Citibank New York Current a/c.	A+	101	2 337
Clearstream Banking	AA	6 247 584	-
Bank of Tokyo Mitsubishi Settlement a/c – JPY	A+	70	709
Westpac Banking Corp. Current a/c - AUD	AA-	66	24
ABN Amro Bank Fixed Deposit	AA-	-	272 976
RaboBank London Fixed Deposit	AA+	-	272 980
Bank of Tokyo London Fixed Deposit	A+	-	272 981
West LB London Fixed Deposit	A-	60 003	45 531
TOTAL NON-RAND INVESTMENTS		**7 339 747**	**3 726 442**
RAND CURRENCY			
Rand Currency – CPD	NR	777 550	1 813 152
ABN Amro ZAR call account	AA-	302 447	79
ABN Amro ZAR fixed deposit	AA-	202 706	-
Cadiz ZAR account	NR	569 045	349 289
Investec ZAR account	NR	568 686	357 020
Credit Agricole Indosuez	AA-	255 075	865
Absa Call a/c	A	837	867
First Nat Bank SA-Main a/c	BBB+	122	4
Barclays Bank Fixed Deposit	AA-	313 395	300 101
Citi Bank SA call account	A+	201 840	-
Investec Bank Ltd	BBB+	151 282	-
IRS Red – CADIZ ZAR	NR	787 257	-
IRS Red – INVESTEC ZAR	NR	780 981	-
SARB – Main	NR	20	-
Westdeutsche Landesbank	A-	461 274	-
TOTAL RAND INVESTMENTS		**5 372 517**	**2 821 377**

25.3 CREDIT RISK (CONTINUED)

The Bank invests/buys securities in reputable institutions who are rated by Moody's, Standard & Poor etc, rating agencies. The Bank's exposure to credit risk has remained static and movements in the fair values of our external portfolio investments were as a result of movements in interest rate risk, foreign exchange risk, etc.

25.4 SETTLEMENT RISK

This is the risk that the Bank is exposed to when settling or clearing transactions. The Bank faces this risk when the counter-party in the dealing contract fails to settle or clear transactions where the exchange of cash, securities is not instantaneous. This risk is of particular significance as foreign exchange transactions are settled only two days after the deal date, and uncertain events within these two days could have a negative impact on the Bank. In order to control this risk, the Bank has imposed settlement limits so as to limit the bank's exposure to counter-party at any given time in the deal cycle. For foreign exchange transactions entered into by the Bank, settlement limits will be 60% of maximum counter-party limit.

25.5 OPERATIONAL RISK

Like any other institution, the Bank is exposed to operational risk; this is the risk of financial losses or damage to the Bank's reputation resulting from one or more risk factors such as human factors, failed or inadequate processes, failed or inadequate systems and external events.

These factors are defined in details as follows:

- Human Factors: insufficient personnel, lack of knowledge, skills or experience, inadequate training and development, inadequate supervision, loss of key personnel, inadequate succession planning or lack of integrity or ethical standards.
- Failed or inadequate processes: a process is poorly designed or unsuitable, or not properly documented, understood, implemented, followed or enforced.
- Failed or inadequate systems: a system is poorly designed, unsuitable or unavailable or does not operate as intended.
- External events: the occurrence of an event having an adverse impact on the Bank outside its control.

The operational risk at the Bank is managed by having a suitable operational organisational structure with clear segregation of duties as well as defined built-in systematic controls. Bank wide operation manuals are in place to be followed by staff. The Bank wide business continuity plans which clearly states effective disaster recovery plans are still in the development phase.

In as far as the treasury operations are concerned the Bank ensures that dealers and analysts are well trained in instruments in which they are trading and that the systems they need to operate on is in place. The bank also makes sure that all investment officers are aware of procedures in place and have access to relevant documents. The Financial Markets Department's Director reviews all procedures, documentation requirements and operational practices.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008 (CONTINUED)

25.6 LEGAL RISK

Legal risk is the risk arising from failure to comply with statutory or regulatory obligations. Legal risk also comes about if the rights and obligations of parties involved in a payment are subject to significant uncertainty, for example if a payment participant declares bankruptcy. Legal disputes that delay or prevent the resolution of payment settlement can cause credit, liquidity, or reputation risks at individual institutions. Legal risk also results from a financial institution's failure to comply with the bylaws and contractual agreements established with the counter-parties with which it participates in processing, clearing, and settling payment transactions. The Bank therefore manages this risk by having appropriate documentation and using the market-customary, standard master-agreements where possible.

26. CAPITAL COMMITMENTS

	2008 N$' 000	2007 N$' 000
Contracted	60 000	-

These capital commitments have been funded from internal resources.

27. RELATED PARTY INFORMATION

During the year the Bank, in its ordinary course of business, entered into various transactions. These transactions were under taken on commercial terms and conditions. The Bank of Namibia Act prescribes that the emoluments of the Governor, Deputy Governor and Board members be determined by the Minister of Finance. The emoluments of the Board members are primarily sitting fees and the annual stipend. The Governor and the Deputy Governor's emoluments is an all inclusive package which comprises of salaries, pension contributions, medical aid and leave pay. The gross emoluments of executive, senior management and Board members are detailed below. Transactions with Government are detailed in notes 1.18 and 2 of this report.

Gross Emoluments

	Salaries N$'000	Retirement Benefit N$'000	Medical Aid Benefit N$'000	Total 2008 N$'000	Total 2007 N$'000
Executive Management					
Governor/Deputy Governor	3 185	470	56	3 711	3 158
Senior Management	5 239	945	176	6 360	5 619
Non-Executive Board					
Dr O Herrigel				38	62
Mr R Ritter				-	50
Mr V Malango				58	-
Mr F Kisting				60	59
Ms O Netta				34	61
Dr NK Shivute				-	-
Dr O Kakujaha- Matundu				9	-
Mr C Schlettwein				-	-

There were no other related party transactions with both the executive management and non-executive Board members.

PART C

ECONOMIC AND FINANCIAL DEVELOPMENTS IN 2008 AND OUTLOOK FOR THE MEDIUM TERM

PART C

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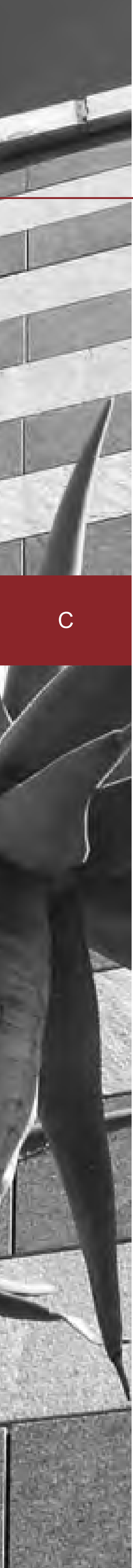
ECONOMIC AND FINANCIAL DEVELOPMENTS IN 2008 AND OUTLOOK FOR THE MEDIUM TERM



SUMMARY OF ECONOMIC DEVELOPMENTS

During 2008, the world witnessed the most severe financial crisis since the Great Depression. In little over a year, the sub-prime mortgage debacle in the United States of America developed into a global financial crisis and began to move the global economy into a recession. Aggressive monetary easing in the US and massive liquidity injections by central banks of the major developed economies have not as yet been able to ease the crisis. Several major financial institutions in the US and Europe have failed, and stock markets and commodity prices have collapsed and become highly volatile. Interbank lending in most developed countries has come to a virtual standstill, as evidenced by a massive and widening spread between the interest rate on interbank loans and treasury bills. Retail businesses and industrial firms, both large and small, are finding it increasingly difficult to obtain credit as banks have become reluctant to lend, even to long-time customers. In October 2008, the financial crisis escalated further, with sharp falls on the stock markets in both developed and emerging market economies. Many countries experienced their worst sell-off ever in equity markets.

Since early October 2008, policymakers in developed countries have been coming up with a number of more credible and internationally concerted emergency plans. Compared with the earlier piecemeal approach, which had failed to prevent the crisis from spreading, the latest plans are more comprehensive and better coordinated. The measures have reshaped the previously deregulated financial landscape. Massive public funding was made available to recapitalise banks, with Governments taking partial or full ownership of failed financial institutions and providing blanket guarantees on bank deposits and other financial assets in order to restore confidence in financial markets and avert a complete systemic failure. Governments in both developed and developing countries have also since started to put together fiscal and monetary stimulus packages in order to prevent the global financial crisis from evolving into another Great Depression.

It is hard to predict if, when and how these massive stimulus packages will show the desired impact. On the other hand, not responding at all would almost certainly have aggravated the downside risks of preventing the world economy being pulled into a deeper crisis. Therefore, it will take time for most of these policy measures to take effect. The restoration of confidence among financial market agents and the normalisation of credit supplies will take months, if not years, judging from past financial crises. Furthermore, what started off as a financial crisis has already spread into real economic activities. Inevitably, major economies will see significant economic contractions in the immediate period ahead, and recovery may not materialise any time soon – even if the bail-out and stimulus packages succeed. Moreover, the immediate costs of the emergency measures will be huge, and it is uncertain how much of these costs can eventually be recovered from market agents after economic stabilisation.

Most developed economies entered into recession during the second half of 2008. The economic slowdown has subsequently spread to emerging markets and developing economies. According to the IMF, world GDP is expected to slow to a meagre 0.5 percent in 2009, which is a sharp deceleration from the 3.4 percent estimated in 2008, and well below the more robust growth in previous years. Accordingly, income per capita for the whole world is expected to decline in 2009. This will be the case not only in the developed economies, but also in many of their developing counterparts, where per capita income growth will be negative or well below what is needed to address unemployment and poverty reduction. The vast majority of countries will experience a sharp reversal in the robust growth registered during the 2002–2007 period. This suggests a significant setback in the progress made with respect to poverty reduction in most developing countries over the past few years.

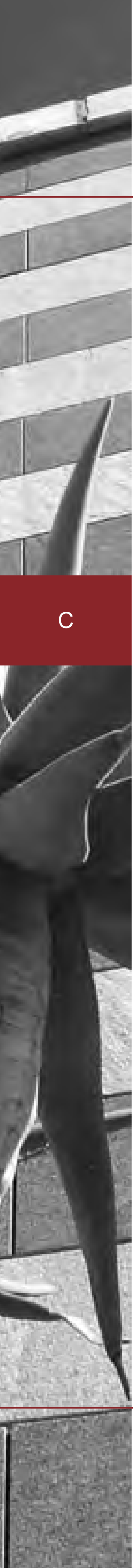
As for the Namibian economy, 2008 was characterised by a decelerating economic growth, firm performance of the external sector, and sound fiscal developments. Growth in the real sector decelerated, mainly as a result of poor performance in the primary and tertiary sectors, which offset the better performance shown in the secondary sector. The pace of economic growth in 2008 is, therefore, estimated to have moderated further to 2.7 percent, after decelerating to 4.1 percent in 2007 from a much higher growth of 7.1 percent in 2006. Furthermore, inflationary pressure increased in 2008 when compared with the preceding year, which prompted the Bank to maintain a less accommodative monetary policy stance.

Although the external sector performed well, the Namibia Dollar was negatively affected by the financial crisis, leading to its sharp depreciation against major currencies. The announcement of a US$700-billion rescue package for the financial system in the US reduced investors' demand for the higher-yield assets in emerging markets. Furthermore, the factors which caused depreciation in the currency were not only limited to the international financial markets, but also to developments in the CMA. The most notable factors, just to mention a few, were the decline in most metal prices, the sharp fall in the growth of property prices, and unrest in the labour market – particularly in South Africa.

During 2008, the monetary and financial sector continued to remain healthy. Monetary and credit aggregates in Namibia were characterised by rather subdued growth in domestic credit extension, which led to a sharp expansion in net foreign assets in the banking system. These developments were in part influenced by ample liquidity in the banking system and a restrictive monetary policy stance.

With regard to fiscal developments in Namibia during 2008/09, Government expenditure and revenue are expected to increase to N$22.5 billion and N$22.0 billion, respectively. This would turn the Government budget surplus of 5.3 percent of GDP recorded in 2007/08 into a deficit of 0.7 percent of GDP in 2008/09. Similarly, total Government debt stock outstanding is expected to stand at N$13.2 billion at the end of 2008 – an increase of 10.3 percent compared with the level recorded at the end of the 2007/08 fiscal year. This represented 19.6 percent of GDP, which is 5.4 percentage points lower than the targeted maximum of 25 percent.

Going forward, the economy is expected to slow down in 2009, due mainly to the weak performance of the primary sector, reflecting the depressed global demand. This major predicament may require intervention through appropriate fiscal and monetary policy responses. On top of the current adverse economic climate, Namibia still has to contend with existing policy challenges of a structural nature, such as high unemployment, poverty, income inequality, and a lack of skills. These challenges still need to be addressed so as to put the economy on the path of long-term growth. Therefore, the current economic situation will cause a significant setback in addressing the above structural challenges.



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THE GLOBAL ECONOMY

During 2008, the world witnessed the most severe financial crisis since the Great Depression. The crisis, which started in the sub-prime mortgage market of the US, through structured financial vehicles soon spread to major economies of the world. Ultimately, through lack of confidence in financial markets, the crisis also started to affect real economic activities in the US and the rest of the world. Accordingly, public sector and independent economic analysts revised global economic projections several times during 2008. In its most recent update[3], the IMF estimates global output growth to have slowed to 3.4 percent in 2008 from 5.2 percent in 2007, and projects it to decelerate further to 0.5 percent in 2009.

Apart from the global financial crisis, high prices of crude oil and other commodities also had a negative impact on global growth in 2008. As it is shown in Table C.1, it is expected that output growth in advanced economies would slow to 1.0 percent during 2008 before contracting by 2.0 percent in 2009. Furthermore, a moderate slowdown of 6.3 percent and 3.3 percent is expected in the output of emerging markets during 2008 and 2009, respectively. It is thus evident that emerging and developing economies are not immune to the global downturn as initially expected by some analysts.

Table C.1: World GDP Growth

Regions	Actual		Esti-mates	Projections				
	2006	2007	2008	2009	2010	2011	2012	2013
World output	**5.1**	**5.2**	**3.4**	**0.5**	**3.0**	**4.8**	**4.8**	**4.7**
Advanced economies	**2.9**	**2.7**	**1.0**	**-2.0**	**1.1**	**2.9**	**2.8**	**2.5**
USA	2.7	2.0	1.1	-1.6	1.6	3.1	2.7	2.3
Euro Area	2.7	2.6	1.0	-2.0	0.2	2.0	2.2	2.2
UK	2.8	3.0	0.7	-2.8	0.2	3.3	3.2	3.1
Japan	2.8	2.4	-0.3	-2.6	0.2	2.5	2.4	1.7
Other advanced economies	**4.5**	**4.6**	**1.9**	**-2.4**	**2.2**	**4.0**	**4.0**	**4.0**
Emerging markets and developing countries	**7.9**	**8.3**	**6.3**	**3.3**	**5.0**	**6.9**	**6.9**	**6.9**
Sub-Saharan Africa	**6.6**	**6.9**	**5.4**	**3.3**	**5.0**	**5.6**	**5.8**	**5.3**
Central and Eastern Europe	**6.7**	**5.4**	**3.2**	**-0.4**	**2.5**	**5.1**	**5.1**	**5.0**
Commonwealth of Independent States	**8.2**	**8.6**	**6.0**	**-0.4**	**2.2**	**5.9**	**5.7**	**5.6**
Developing Asia	**9.1**	**10.6**	**5.5**	**6.9**	**8.4**	**8.7**	**8.7**	**8.8**
China	11.6	13.0	9.0	6.7	8.0	10.0	10.0	10.0
Middle East	5.7	6.4	6.1	3.9	4.7	5.4	5.4	5.4
Western hemisphere	5.5	5.7	4.6	1.1	3.0	4.3	4.3	4.2
India	9.8	9.3	7.3	5.1	6.5	8.0	8.0	8.0
Brazil	5.4	5.7	5.8	1.8	3.5	4.0	4.0	4.0
South Africa	5.4	5.1	3.1	1.2	3.0	4.0	5.0	5.0
Russia	7.4	8.1	6.2	-0.7	1.3	6.0	5.7	5.5

Sources: IMF (2009). Data for 2006 and 2011–2013 were obtained from the World Economic Outlook Database for October 2008.

[3]IMF (2009). World Economic Outlook Update, January.

OUTPUT GROWTH AND OUTLOOK BY MAIN REGIONS/ ECONOMIC BLOCS

Real GDP growth in the **United States** slowed to 1.1 percent in 2008, from 2.0 percent registered in 2007. Underpinning the slowdown were factors such as the downturn in the housing market, weak domestic demand, and restrained financial market conditions. The US real GDP growth is expected to contract by 1.6 percent in 2009. The dismal performance in real economic activities in 2008 is expected to continue into 2009, and could largely be due to weak consumer expenditure caused by depreciation in the real and financial assets of US homeowners. It is expected that the fiscal stimulus package will have a positive effect on the US economy. However, the impact is not expected to be immediate as households are highly indebted and, therefore, would not be able to immediately spend resources availed by the government on consumption and investment expenditures. Essentially, households will spend the resources made available through the fiscal stimulus package to settle their debt obligations.

The **Japanese** economy is estimated to have contracted by 0.3 percent during 2008, down from the annual growth of 2.4 percent registered during 2007. The key causes for the contraction in real GDP were mainly subdued export growth, coupled with weak domestic demand. Forecasts on the Japanese economy indicate that real GDP will contract by about 2.6 percent during 2009 on account of reduced exports and investment. Furthermore, private consumption is expected to be sluggish due to weak consumer confidence and low wage growth.

In the **Euro Area**, growth is estimated to have slowed from 2.6 percent registered in 2007 to 1.0 percent for 2008. The main explanations for the slowdown in real GDP were high commodity prices that depressed real incomes and consumption, as well as the global financial crisis. Moreover, a stronger than expected Euro exchange rate caused a slowdown in the demand for European exports. Like the other industrialised economies, real GDP in the Euro Area is expected to contract by 2.0 percent in 2009. The expected contraction could mainly be attributed to the effect of the financial market turmoil.

It is estimated that the **German** economy slowed to 1.3 percent in 2008, from a growth position of 2.5 percent in 2007. The principal factor underpinning the slowdown in real GDP growth during 2008 was the curtailment of foreign orders. Since the mid-1990s, the German economy has primarily been driven by exports. Germany's real GDP is forecast to contract by a further 2.5 percent during 2009. The projected contraction would mainly be underpinned by slowing world demand for German exports. Movements in the Euro exchange rate will influence German exports as well.

Real GDP growth in **France** slowed to 0.8 percent in 2008, from a growth of 2.2 percent in 2007. The key reasons for a relatively weak performance in real GDP during 2008 were high crude oil and other commodity prices, the slowdown in the economies of France's trade partners, and the strong Euro. The IMF forecasts that the French economy will contract by 1.9 percent during 2009.

In **Italy**, real GDP is estimated to have contracted by 0.6 percent in 2008, from a growth position of 1.5 percent registered in the previous year. The IMF forecasts that Italy's real GDP will contract by 2.1 percent in 2009. Slow growth in the economies of its trading partners, tight credit conditions, and weak confidence will be key to the slowdown expected in Italy's real GDP growth for 2009.

Real GDP for **Spain** is estimated to have slowed by 1.2 percent in 2008, after having grown by 3.7 percent in 2007. Looking ahead, it is projected that real GDP will contract by 1.7 percent during 2009. Consumption expenditures by households and companies are expected to decline due to deleveraging[4]. Moreover, external demand for Spanish exports is expected to be weak. These developments do not augur well for Spain's real GDP growth in 2009.

During 2008, **Brazil's** economy grew by 5.8 percent, representing a slight improvement on the 5.7 percent growth recorded for the preceding year. However, growth is projected to slow to 1.8 percent in 2009. The predicted slowdown is mainly due to weak exports to the US market, which accounted for 18 percent of Brazil's total exports in 2008.

Russia's real GDP growth slowed to 6.2 percent in 2008, from 8.1 percent registered in 2007. The reason for this country's restrained growth is mainly the slowdown in global demand for commodities as a result of the global financial crisis. It is expected that Russia's real GDP will contract by 0.7 percent in 2009 as a result of continued weak demand for Russian exports in world markets.

Similarly, **India's** real GDP growth is estimated to have slowed to 7.3 percent in 2008, down from 9.3 percent in 2007. The key factor underpinning the 2008 slowdown was a low rate of investment. Looking ahead, growth in India is expected to slow to 5.1 percent in 2009 as a result of the impact of tighter financial market conditions as regards investments in the economy.

[4]Deleveraging is defined as a household or company's attempt to decrease its financial leverage. In general, the best way for a company to deliver is to immediately pay off any existing debt on its balance sheet. If it is unable to do this, the company will face a significant risk of defaulting.

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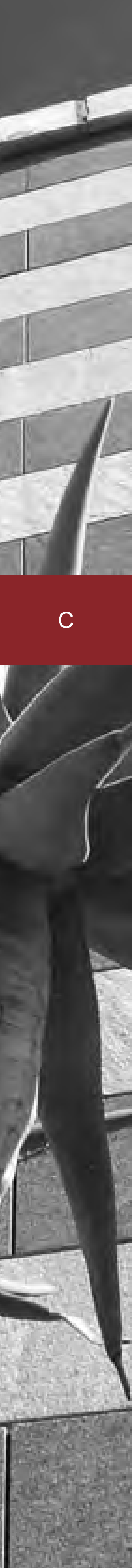

During 2008, **China's** real GDP is estimated to have slowed to 9.0 percent from 13.0 percent in 2007, largely due to the decline in exports resulting from a slowdown in the US demand for them. The outlook for China in 2009 indicates that the economic growth will slow to 6.7 percent. The downside risks are a further decline in exports, exacerbated by a weakening property sector.

After four years of strong output growth, the pace eased in most **Latin American** economies during 2008, basically because of moderating exports. Real GDP growth for 2008 is estimated at 4.6 percent, down from 5.7 in 2007, and is expected to slow to 1.1 percent in 2009. The expected slowdown in 2009 is mainly underpinned by the effects of moderated commodity prices.

In the **Middle East**, real GDP growth stood at 6.4 percent during 2007. For 2008, economic growth in the Middle East is estimated at 6.1 percent. High commodity prices, strong domestic demand, and the credibility of macroeconomic policy frameworks were the key factors that underpinned real GDP growth in the region. Looking ahead, real GDP growth is expected to slow to 3.9 percent in 2009 as a result of the impact of the global economic slowdown on the regional economies.

With the anticipation of a more pronounced global downturn, weaker commodity prices, and pressure on capital flows, the IMF expects growth in **Sub-Saharan Africa** to slow from about 5.4 percent in 2008, to around 3.3 percent in 2009. With significant uncertainty at the global level, risks to growth remain tilted downward.

During 2008, **South Africa's** real GDP moderated to 3.1 percent, from the 5.1 percent registered in 2007. This was mainly due to the impact of the slowing global economy. Capacity constraints in electricity supply also had a negative impact on the economy during 2008. Looking ahead, South Africa's real GDP is projected to slow by 1.2 percent in 2009 before recovering to 3.0 percent in 2010.

Botswana's real GDP is estimated to have slowed to 5.3 percent during 2008, from 5.7 percent in 2007, mainly due to a decreasing demand for diamonds. The IMF forecast that Botswana's real GDP would expand by 4.6 percent and 4.7 percent in 2009 and 2010, respectively.

It is estimated that **Angola's** real GDP slowed to 16.0 percent during 2008, from a growth of 21.1 percent in 2007. Projections by the IMF indicate that Angola's real GDP would slow further, to hit 11.8 percent in 2010. Besides growth in its oil and diamond sectors, Angola is benefiting from an exponential increase in investment, particularly State spending backed by foreign credit.

KEY CENTRAL BANKS' MONETARY POLICY STANCE AND INTEREST RATES

During 2008, monetary policymakers were faced with abrupt changes in the macroeconomic environment and were required to make swift modifications to their policy stances (and in some cases even their targets). Initially, most central banks were concerned with the inflationary impact of high commodity prices that threatened to feed into longer-term inflation expectations and, therefore, pursued restrictive monetary polices. However, as the financial crisis unfolded and the commodity price pressures started to ease, most central banks, especially those directly affected, started to modify their stance by pursuing much more expansionary monetary policies.

During the first half of 2008, central banks in advanced economies pursued a variety of monetary policy stances. In the US, the Federal Reserve Open Market Committee lowered the target federal funds rate by 225 basis points, from 4.25 percent in January to 2.0 percent in June 2008. In contrast, the Governing Council of the European Central Bank pursued an unchanged monetary policy stance for the first half of 2008 by keeping the refinancing rate constant at 4.0 percent. The divergent approach to monetary policy pursued by the Federal Reserve and the European Central Bank was also observed amongst the commodity-rich advanced economies of Australia and Canada. The Reserve Bank of Australia increased its target cash rate by 50 basis points during the first half of 2008, from 7.0 percent in January 2008 to 7.5 percent in March 2008. In contrast, the Bank of Canada reduced its overnight rate by 125 basis points, from 4.0 percent in January 2008 to 2.75 percent in June 2008.

In spite of these divergent stances during the first half of 2008, there was a coordinated effort – spearheaded by the US Federal Reserve – to inject liquidity into the banking systems of these economies. In this regard, the Federal Reserve announced an expansion to its securities lending programme to promote liquidity in financial markets and foster the functioning of financial markets in general. With the expansion of the term securities lending facility (TSLF), the Federal Reserve announced that it would lend up to US$200 billion in Treasury securities to primary dealers, secured for a term of 28 days rather than overnight, as was the case under the previously existing lending programme. Securities which qualified as collateral under the TSLF include federal agency residential mortgage-backed securities (MBSs), and non-agency highly rated private label residential MBSs.

In addition, the Federal Open Market Committee (FOMC) authorised increases in its existing temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB). These arrangements were implemented to provide amounts of up to US$30 billion and US$6 billion to the ECB and the SNB, respectively, representing increases of US$10 billion and US$2 billion, also respectively. The FOMC also extended the terms of these swap lines through to 30 September 2008.

Unlike the first half of 2008, the second half was characterised by the US and the Euro Area adopting a similar approach to monetary policy. In this respect, the Federal Reserve reduced the target federal funds rate by 100 basis points, from 2 percent in August 2008 to 1.0 percent in October 2008. In December 2008, the Federal Reserve introduced a target range of 0–25 percent as the new level for the federal fund rate. As for the ECB, it reduced the refinancing rate by 175 basis points during the second half of 2008 to reach a level of 2.5 percent in December 2008. The federal funds rate was reduced by 375 basis points overall during 2008. Similarly, the ECB reduced its lending rate by 175 basis points during 2008, to stimulate the economy and mitigate the impact of the global financial turmoil.

The commodity-rich advanced economies of Australia and Canada pursued expansionary monetary policies in the second half of 2008. In this regard, the Reserve Bank of Australia lowered its target cash rate by 300 basis points, from 7.0 percent in September 2008 to 4.25 percent in December 2008. Similarly, the Bank of Canada reduced the overnight rate by 150 basis points, from 3.0 percent in July 2008 to 1.5 percent in December 2008 (see Table C.2).

Table C.2: Policy and inflation rates in selected economies

Country	Key target rate	Current rate	Inflation	Change (in percentage points)	Date of last decision in 2008	Real interest rates
USA	Federal funds	0.0–0.25	1.0	-0.50	December	n/a
Canada	Overnight rate	1.50	1.2	-0.75	December	0.3
Australia	Cash rate	4.25	3.7	-1.00	December	0.6
Euro Zone	Refinance rate	2.50	1.6	-0.75	December	0.9
UK	Base rate	1.50	3.1	-0.50	December	-1.6
Japan	Call rate	0.30	1.0	-0.20	December	-0.7
South Africa	Repo rate	11.50	11.8	-0.50	November	-0.3
Brazil	Short-term interest rate	12.75	6.2	-1.00	December	6.6
Russia	Refinancing rate	13.00	13.3	1.00	December	-0.1
China	Lending rate	5.31	1.2	-0.27	December	4.1
India	Repo rate	5.5	10.4	1.00	December	-4.9

Sources: Federal Reserve Board of the US; Bank of Canada; Reserve Bank of Australia; ECB; Bank of England; Bank of Japan; South African Reserve Bank; Bank of Brazil; the People's Bank of China; Reserve Bank of India

Emerging market economies pursued mixed monetary policy stances during 2008. This was because these economies were faced with various policy challenges, such as high and rising inflation, and subdued economic growth. In South Africa, for instance, the Reserve Bank pursued a relatively tight monetary policy during the first half of 2008 and increased the repo rate by 100 percentage points to fight inflation. However, towards the end of 2008, most central banks in emerging market economies reduced their monetary policy rates to stimulate subdued economic activities and mitigate the impact of the global financial crisis (see Table C.2). These central banks include the Bank of Brazil, the People's Bank of China, the Reserve Bank of India, and the South African Reserve Bank.

COMMODITY PRICE DEVELOPMENTS AND PROSPECTS

From 2003 to early 2008, the world witnessed the most marked commodity price boom of recent times. The price of oil, metals, food grains, and other commodities rose significantly, and over a sustained period. Similar to earlier booms, the 2003–2008 commodity price boom was associated with robust global growth. Nevertheless, it was exceptional in its duration and in the range of commodities affected. By mid-2008, energy prices were 320 percent higher in US Dollar terms than in January 2003, metals and minerals were 296 percent higher, and internationally traded food prices were 138 percent higher – mainly due to higher grain prices (see Chart C.1). During the first seven months of 2008, crude oil prices rose significantly, reaching US$133 per barrel in July, from US$93 per barrel in January 2008. This began to represent a new era in the oil market because oil prices had remained stable for almost two decades after a highly volatile period in the 1980s.

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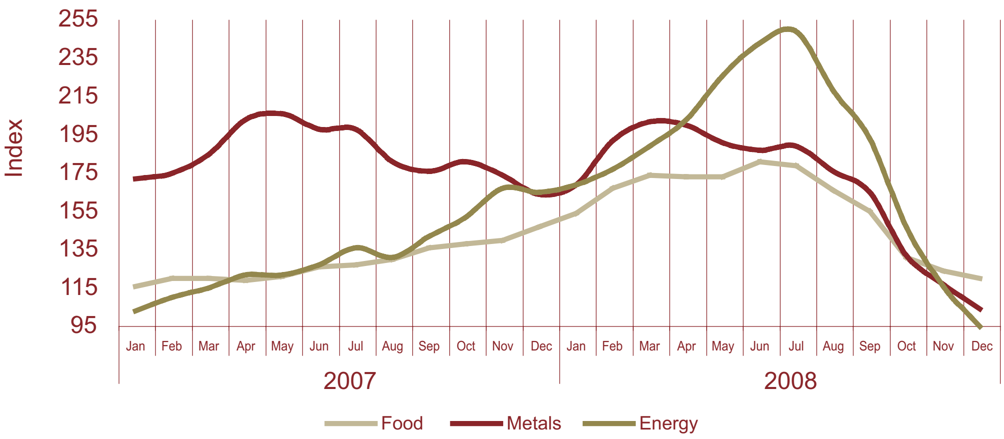
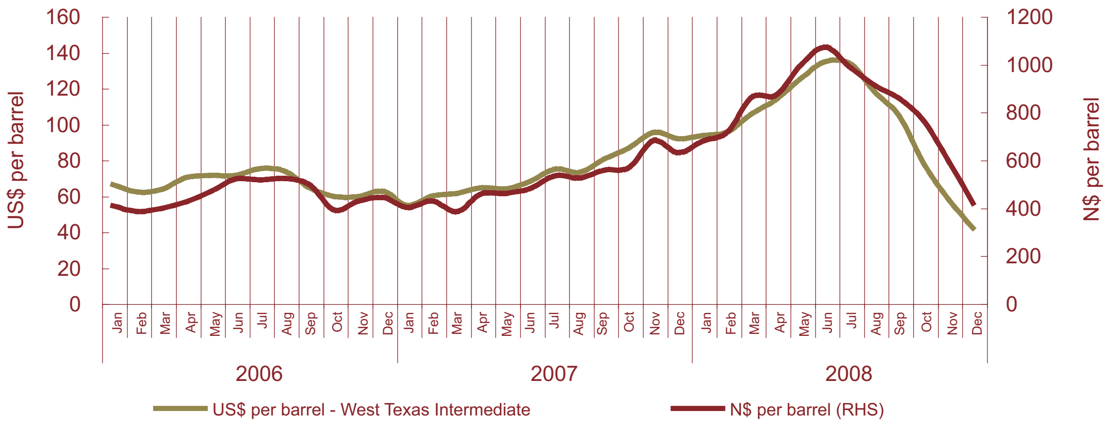
Chart C.1: Selected commodity price indices



Source: IMF

The main factor that contributed to the increase in the price of crude oil during 2008 was strong demand, which pushed the world oil markets close to full capacity. In contrast, new supplies have not been able to match demand, and have created expectations that the oil market will remain tight for the foreseeable future. Apart from strong demand, a weaker US Dollar and political instability in some oil-producing regions also exerted upward pressure on the price of oil during 2008. After reaching a peak of US$133 per barrel in July 2008, the price of crude began to decline, reaching US$41 in December 2008 – a move that could largely be attributed to the slowdown in the global economy (see Chart C.2).

Chart C.2: Crude oil prices (West Texas Intermediate: US$ per barrel)

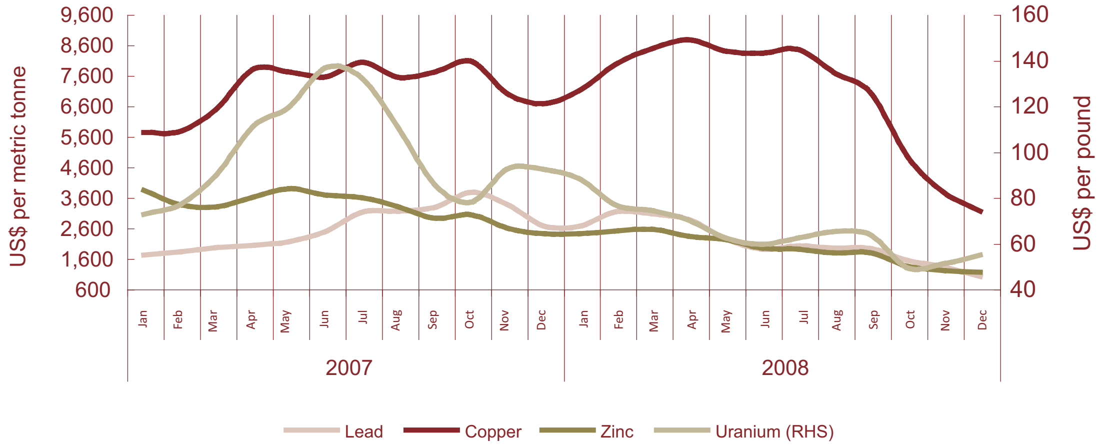


Source: IMF

The IMF's overall commodity price index, i.e. including both fuel and non-fuel commodities, decreased by 27.0 percent during 2008, after an increase of 29.4 percent in 2007. Accounting for the decline in this index were decreases in both fuel and non-fuel commodities. The food index declined by 11.9 percent, while the metals index decreased by 32.8 percent. The energy index declined by 30.8 percent (see Chart C.1). The fall in the commodity price index could mainly be attributed to the slower GDP growth, increased supply, and revised expectations.

The impact of the slowdown in global growth was well reflected in the prices of major commodities such as copper, uranium, lead and zinc. The spot price of uranium decreased by 45.1 percent during 2008, while that of copper declined by 46.4 percent in the same period. Similarly, the prices of zinc and lead declined by 54.2 percent and 61.3, percent, respectively (see Chart C.3).

Chart C.3: Selected commodity prices



Source: IMF

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DEVELOPMENTS IN MAJOR FINANCIAL AND CAPITAL MARKETS

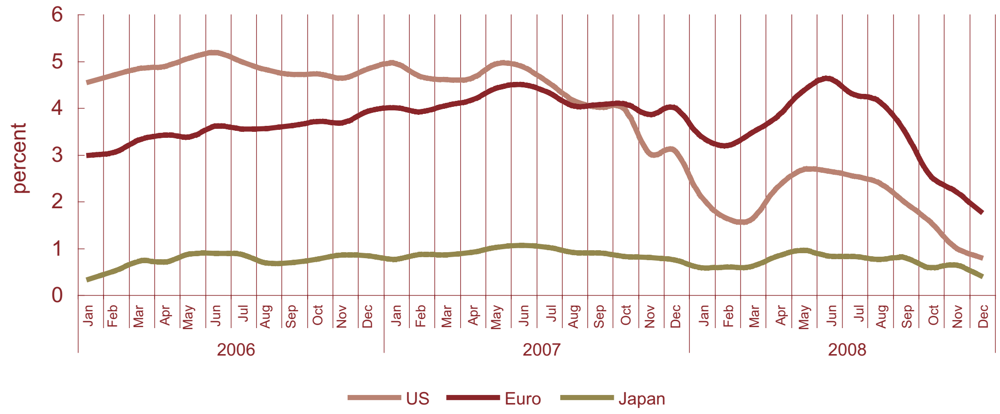
The stresses which first emerged in the US financial markets in August 2007 transformed themselves into a full-blown global financial crisis in 2008. Credit markets froze, stock markets crashed, and a series of insolvencies threatened the entire international financial system. During September 2008, the financial crisis entered a new phase with the collapse of Lehman Brothers Holdings. The bankruptcy of Lehman Brothers prompted the three largest remaining US investment banks to be sold or become depository institutions.

Apart from the bankruptcy of Lehman Brothers, the largest insurance company in the world namely the American Insurance Group (AIG), almost collapsed – raising concerns about financial product insurance and prompting a public sector rescue. In general, 2008 was characterised by intense pressure on global financial markets. In this regard, credit swaps widened to record levels and equity prices crashed to historic lows, leading to widespread volatility across the market spectrum. The turmoil transcended from specific credit and money markets to the broader global financial system.

Initially, analysts expected that emerging market economies would be insulated from the effect of the otherwise global financial crisis. However, the contagion also spilled over into emerging markets, with prices of a variety of assets declining. Banks from industrialised countries withdrew funds from emerging markets and converted a broad range of risky assets into more liquid holdings. Moreover, there was a significant deterioration in the global economic outlook. As a result, authorities in several countries embarked upon an unprecedented wave of policy initiatives to contain systemic risk, arrest the plunge in asset prices, and shore up confidence in the international banking system. While these initiatives did indeed help to restore some level of stability, the financial market conditions remained far from normal during the period October–December 2008.

There were sharp movements in government bond yields of major markets in 2008, with volatility at its highest level for several years. US bond yields traded within an 85-basis-point range over the period, but ended markedly lower amid ongoing concerns about global credit markets and the weaker US economic outlook. Yields on two-year debt declined by over 150 basis points (see Chart C.4).

Chart C.4: Bond yields in selected markets

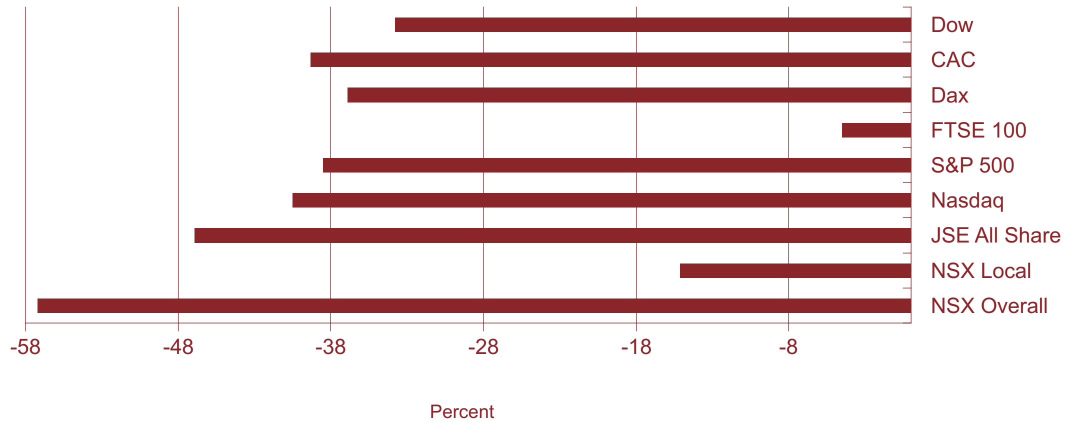


Source: Bloomberg

Global equity markets were sharply lower and were extremely volatile during 2008. Equity markets were severely affected by the turmoil in global financial markets and worse-than-expected economic data raised concerns about the prospects for global economic growth. Significant declines were registered across all sectors. In the US and Europe, equity prices fell back to levels briefly reached in 2003, while in Japan, they fell back to levels of the early 1980s.

As with developments in industrialised countries' equity markets, those in emerging markets were also subject to significant falls as economic prospects deteriorated. For example, the Johannesburg Stock Exchange (JSE) All Share Index registered negative growth of 47 percent for 2008, while the Namibian Stock Exchange (NSX) Overall Index recorded significant negative growth of 57 percent during the period (see Chart C.5). The NSX Local Index continued to grow positively, but this is slightly misleading, mainly due to the exceptionally narrow trade in these listed instruments.

Chart C.5: Annual 2008 growth rates in stock markets (percentage in indices in US$ terms)



Source: Investment House Namibia

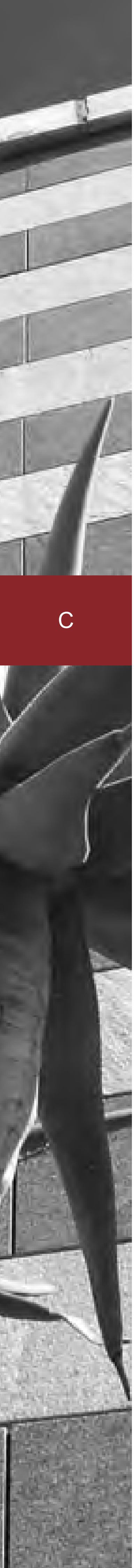
WORLD TRADE DEVELOPMENTS

World trade is estimated to have slowed in 2008 as a result of weak demand from developed economies. According to the IMF, growth in world trade slowed to 4.1 percent in 2008, from a robust growth of 7.2 percent in 2007 (see Table C.3). The slowdown could mainly be explained by the decelerated demand, largely by the US, European and Japanese economies. Moreover, in emerging markets and developing economies, trade slowed by 10.4 percent in 2008, down from the strong growth of 14.5 percent registered in 2007. Looking ahead, growth in world trade is projected to contract by 2.8 percent in 2009 before recovering to 3.2 percent in 2010.

Table C.3: Growth in the volume of world merchandise trade, 2007–2010 (annual percentage change)

World merchandise trade	2007	2008	2009	2010
World trade volume	**7.2**	**4.1**	**-2.8**	**3.2**
Imports				
Advanced economies	4.5	1.5	-3.1	1.9
Emerging and developing economies	14.5	10.4	-2.2	5.8
Exports				
Advanced economies	5.9	3.1	-3.7	2.1
Emerging and developing economies	9.6	5.6	-0.8	5.4

Source: IMF



C

THE EFFECTS OF THE INTERNATIONAL FINANCIAL CRISIS ON NAMIBIA

Introduction

The global financial crisis dominated headlines in 2008. Initially, it was thought to be a problem for the US and a few other developed economies. However, from 2008 onwards, financial markets around the world experienced unprecedented levels of volatilities, with far-reaching consequences for global economic growth. This commentary assesses the possible impact of the international financial crisis on the Namibian economy. In doing so, it also traces the origin of the crisis, its impact on the global financial system, a remedial and policy responses by the most severely affected economies.

Origin of the crisis

Most commentary on the current turmoil traces its origins to the bursting of the US housing market bubble in mid-2006. The crisis was preceded by events such as the low interest rate environment in the US, rising house prices, and a decline in lending standards. This, in turn, encouraged borrowers to take up risky mortgages in the hope of refinancing at more favourable terms later. However, a rise in interest rates and a decline in house prices made refinancing difficult from 2006 to 2007; leading to a rise in defaults and foreclosures as the initial easy terms expired, mortgages rates were set higher, and house prices failed to increase as anticipated. It is estimated that, during 2007, nearly 1.3 million properties were subject to foreclosure – up by 79 percent from 2006.

Securitisation has been identified as another factor at the centre of the credit crunch. Securitisation enabled loans with a high risk of default to be originated, packaged, and subsequently transferred to investors. However, the decline in house prices led to a fall in value of mortgage-backed securities/investments, thus exacerbating the widespread mortgage defaults, foreclosures and devaluations of these assets. Consequently, financial institutions around the world realised subprime-related losses and write-downs totalling around US$500 billion as at the end of August 2008. The IMF, however, estimated that the total subprime-related losses could be as high as US$1.4 trillion.

Impact on the global financial system

The most visible impact of the financial crisis has been the freezing of money markets, which made banks and other institutions unable to borrow funds to pay off maturing debt obligations. Mostly affected have been financial institutions that had engaged in mortgage securitisation, such as Bear Sterns; those with assets that had been derived from bundled home mortgages, such as the insurer American International Group (AIG); and institutions with exposure to credit derivatives used to insure them against their failure, such as Lehman Brothers.

The crisis has caused panic in financial markets and encouraged investors to take their funds out of risky investments into cash and safer assets, like government securities and gold. The lack of confidence amongst global banks caused institutions with cash to hoard it in fear of the safety of their deposits with other institutions. Moreover, concerns about who is still holding bad assets has seized up credit markets, with banks refusing to lend to one another for fear that the borrowers or other banks could default. This, in turn, has caused solvency problems for investment banks, whose funding model is mainly based on short-term borrowings.

Initially, emerging market and developing economies were largely unaffected by the crisis, but they now face increased risk, including second-round effects emanating from significant slowdown in global growth, and the possibility of reduced official development assistance. The risk for emerging market economies is mainly due to investors' risk aversion, which has resulted in the decline in stock markets and the weakening of foreign currencies against the US Dollar. A few emerging markets economies such as Hungary have already applied for bail-out packages from the IMF, with more countries standing in line for financial assistance from the IMF and the World Bank.

Remedial action and policy responses

A wide range of policy responses have been taken since the crisis became apparent in August 2007. On the monetary policy front, central banks have continued to pump hundreds of billions of dollars into interbank money markets, given that commercial banks are too frightened to lend to one another. In a concerted effort with other major central banks, on 8 October 2008, the US Federal Reserve cut interest rates by 50 basis points to 1.50.

Other major central banks that cut key lending rates included the ECB, the Bank of England, the Bank of Canada, and the Swiss National Bank – all by 50 basis points. Countries such as Australia, China and Hong Kong also slashed interest rates due to the crisis. Central banks moreover injected huge amounts of liquidity into money markets, and extended collateral for loans to include commercial papers.

On the fiscal side, most governments gave their assurance that they would support their financial institutions in the face of the current crisis. For instance, the Bank of England came to the rescue of two banks, Northern Rock and Bradford & Bingley, and the British Government announced the formation of a £50 billion (US$85 billion) programme to invest in at least eight British lenders. The US Government provided a stimulus package of US$197 billion. The plan covers tax rebates, incentives to business, unfreezing mortgage-based securitisation, and recapitalising banks. The package was directed towards limiting the economic slowdown, so as to allow the market to correct itself. Rebates to individuals are estimated at US$152 billion, while incentives to businesses amount to US$44.8 billion. The success of the fiscal intervention on reducing the risk of a prolonged slowdown in the US is unclear, however, given the magnitude of the crisis. Moreover, the stimulus is not directed to the subprime mortgages – which are the main cause of the financial crisis.

The other measures introduced by the US and other developed economies focus on the enhancement or restoration of confidence in the financial sector. Specifically, these measures focus on improving the regulatory environment and oversight. To this end, a working group on financial markets was set up in 2008 in the US to spearhead the task. The task force developed a number of recommendations, such as correcting the weaknesses in the initial stage of the originate-to-distribute model; better disclosures and consumer protection; greater supervisory scrutiny of the processes that originators follow and the incentives they receive; and more transparency about the risks and other characteristics of securitised credits by sponsors.

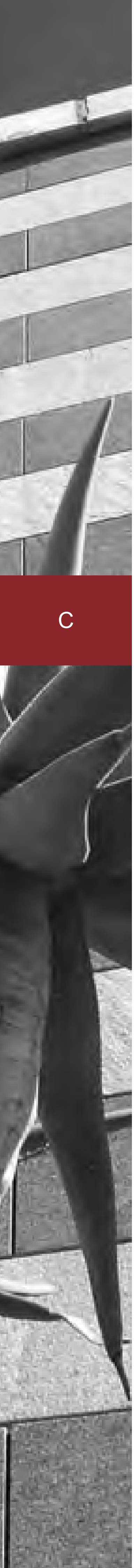
The macroeconomic impact on Namibia

Although the Namibian financial system remains largely unexposed to the global financial crisis, the economy nonetheless remains vulnerable to the crisis through other channels. These include less optimistic growth prospects due to a lower demand for Namibian commodities; the impact on the real sector; potential balance-of-payments shocks due to a depreciation in the exchange rate; and reduced revenue collection due to slower economic growth. Thus, this section assesses the real and potential impact of the crisis on Namibia. The focus is on the banking system, non-banking financial institutions, growth and sectoral prospects, the balance of payments, Government finance, and interest rates.

The banking system: The overall direct impact of the global financial market turmoil on the domestic financial system has been low, thanks in part to limited exposures to subprime-related investments by financial intermediaries. According to the Banking Supervision's report for December 2008, local banks continued to be liquid and well capitalised during 2008. There has, however, been an increase in non-performing loans, mainly due to rising borrowing costs and inflationary pressures. Banking institutions continued to hold more liquid assets than the minimum prescribed by the Bank of Namibia during 2008.

Interbank exposure among Namibian banking institutions is small in relation to industry capital funds. During 2008, interbank borrowings and deposits comprised about 2.6 percent of industry capital and liabilities. Given the small size of the local interbank market, it is unlikely that a liquidity problem in one bank could spill over to other banks and cause a systemic liquidity problem. Moreover, exposure by local banking institutions to foreign banking institutions is minimal. As a percentage of the banking sector's total liabilities and capital, foreign currency deposits and other liabilities decreased from 4.4 percent in 2007 to 3.2 percent in 2008. The risk of direct contagion from abroad is further mitigated by the good standings of most of the foreign counterparties and well-diversified exposures.

Non-banking financial institutions: The exposure of non-banking financial institutions to the crisis is relatively higher than that of banking institutions. Non-bank financial institutions have felt the impact of the crisis more materially because of investments in foreign equity markets in South Africa and elsewhere. The value of these institutions' equity investments have depreciated, which, in turn, may affect pension fund members, especially those belonging to defined contribution funds. For example, equity prices as reflected by the NSX Overall Index, declined by 34.23 percent during 2008 alone. Thus, large life insurance companies which invest in equities were affected by the poor performance of



equities. The full extent of their exposure will depend on the business mix, the asset/liabilities profile, and their consequent exposure to these markets.

However, most insurance companies in Namibia are adequately capitalised in respect of being able to shoulder potential losses. In addition, NAMFISA is particularly vigilant in its regular monitoring of the solvency of all non-banking financial institutions to ensure that risk exposure is managed in a prudent and risk-averse manner.

Growth prospects: According to the Bank of Namibia's revised growth projection for 2008, the economy is expected to have expanded by only 2.7 percent. The revision is attributed to the lower demand for primary commodities in particular, on account of the slower global growth induced by the financial crisis.

On a positive note, oil prices have subsided quite significantly on account of slower global economic growth. For instance, after hitting a high of US$147 per barrel in July 2008, international crude oil prices declined to below US$44.71 per barrel by the end of the second week of March 2009. Consequently, there has been some downward adjustment of local pump prices. Unfortunately, the sharp depreciation of the local currency means that the full benefit of reduced crude oil prices might not be realised.

Sectoral prospects: The impact of the financial crisis is expected to be more severe on the mining sector, which is also one of the cornerstones of the Namibian economy. This negative impact is attributable to reduced world demand, which has ultimately reduced the prices of most minerals. Given that mining operations in Namibia are financed by international holding companies, the combined effect of their inability to raise capital on international markets and reduced commodity prices implies a reduction in their overall investments. Consequently, a decline in the holding company's overall investments has a knock-on effect on the local company as well. This subsequently reduces investments as expansion plans are put on hold, employees are laid off (involving direct and indirect jobs), and output is reduced. This scenario is more pronounced in fishing and in mining companies, particularly in terms of copper and diamonds. In Namibia, for example, cooper production is expected to drop to zero in 2009 due to the closure of all Weatherly mines in the country, while diamond output is expected to decline by about 47.9 percent. As a result, about 2,800 direct and indirect jobs will be shed in the mining sector. This represents about 36 percent of the total number of people employed in this sector.

Tourism is also expected to be affected by the financial crisis in 2009. As the crisis unfolds, tourist bookings made in the Euro Zone declined in the first two months of 2009, and the trend is projected to continue during the course of the year. Scaled-down activities in the mining, fishing and tourism sectors are expected to impact negatively on the transport and communication sector as well.

Balance of payments: The country's international reserves increased from three months of import coverage in 2007 to more than four months in 2008. The healthy reserve levels are not only a measure of economic success, but are also necessary to sustain the currency peg to the South African Rand, which has been one of the key anchors of Namibia's macroeconomic stability.

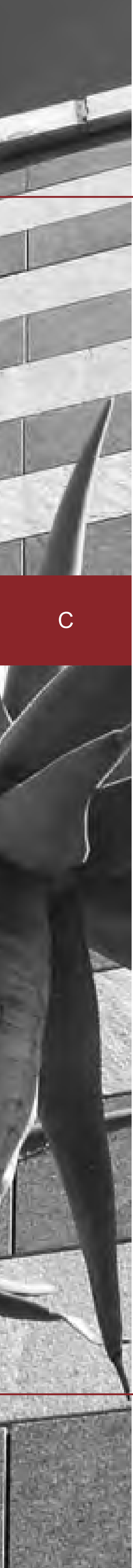
The overall impact of the financial crisis on the balance of payments is not clear at this stage. A sharp reduction on commodity prices could lead to lower export earnings. However, this could be offset by the depreciation of the domestic currency, which might make exports more competitive. The import bill in respect of fuel prices, which was estimated at 15 percent for 2008, could also decline due to lower crude oil prices. However, the weakened exchange rate may prevent Namibia from enjoying the full benefit of such lower prices.

Government finance: Lower economic growth due to the international financial crisis could potentially impact on the overall fiscal position through reduced revenue collection from domestic tax sources. This is on account of taxes on the mining sector as well as royalties and taxes on the fishing sector, which are expected to decline in 2009. Tax receipts from international trade may also decline significantly due to the negative impact exerted on the economies of Namibia's major trading partners, notably South Africa. Because of the slowdown in economic activity in South Africa, who, as the principal SACU partner, contributes the bulk of the revenue to the SACU common revenue pool, Namibia may face a significant reduction in revenue from this source. Regarding debt servicing, although the State's foreign loan portfolio is relatively small, the weakened Namibia Dollar will put significant pressure on Government expenditure as far as the servicing of foreign debt is concerned.

Interest rates: The easing of monetary policy by advanced economies has implications for Namibia. The cumulative interest rate cuts in these economies have caused a decline in the yields of their financial assets. Consequently, the financial assets in emerging market economies have become more attractive and could lead to increases in net portfolio inflows. High yield differentials could enable the market to reprice securities in Namibia. This would have the positive effect of reducing the costs of servicing domestic debt and could free fiscal resources up for other priority sectors. Moreover, a reduction in the yield rates has the effect of reducing lending rates, which could, in turn, reduce the cost of borrowing.

Conclusion

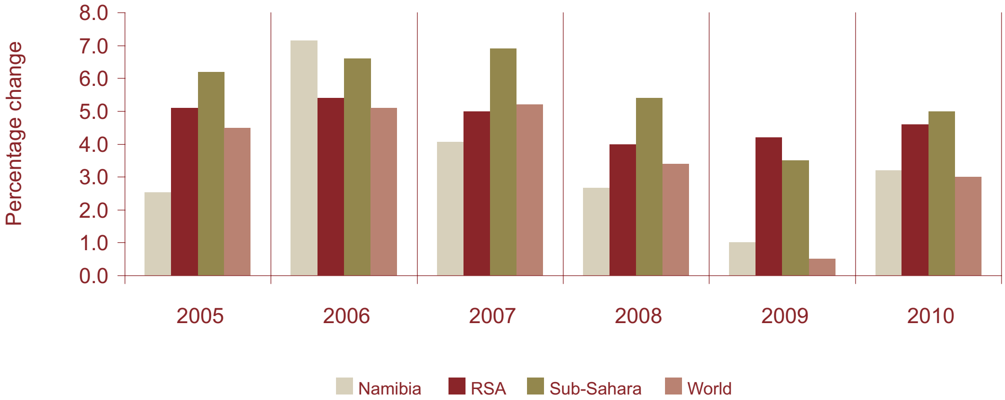
For now, Namibia's banking system remains relatively insulated from the direct effect of the financial crisis. This is mainly attributed to local banks having limited exposure to US securitised investments. Nevertheless, the economy remains vulnerable to the effects of the crisis though the exchange rate and commodity prices, which will reduce economic growth and increase unemployment. Overall, the decline in world output will cause a decline in overall economic growth in Namibia. This could reduce Government revenue, both in respect of domestic taxes and SACU receipts. In the period ahead, a targeted expansionary policy stance needs to be considered in order to minimise the adverse impact of the financial crisis. Such intervention may involve both fiscal and monetary approaches.



DOMESTIC ECONOMIC DEVELOPMENT AND OUTLOOK[5]

Being a small, open economy, Namibia is vulnerable to external developments. In this regard, the global slowdown has undoubtedly had a negative impact on its performance, especially in respect of export-oriented industries, and most notably the mining sector. Following the collapse of mineral prices in the second half of 2008, some major mining companies in Namibia adjusted their production plans downward for the medium term. In the case of copper, production was stopped altogether at the end of 2008, with all copper mines put on a care-and-maintenance schedule. Consequently, the pace of economic growth in 2008 is estimated to have slowed to around 2.7 percent, after decelerating to 4.1 percent in 2007 from a much higher growth of 7.1 percent in 2006 (see Chart C.6).

Chart C.6: Annual changes in real GDP



Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2010; Republic of South Africa (RSA), sub-Saharan Africa and world figures drawn from IMF (2008). World Economic Outlook Update, November

The decelerated growth during 2008 is mainly a reflection of the poor performance of the primary industries, complemented by the slower pace of growth posed by some tertiary industries, while the secondary industries performed better in comparison with 2007 (see Chart C.7). The outlook in the medium term is unfavourable, as the projected average real GDP growth of 2.1 percent for 2009–2010 falls far below the targeted growth of 6.5 percent contained in the country's Third National Development Plan.

Chart C.7: Real GDP by industry

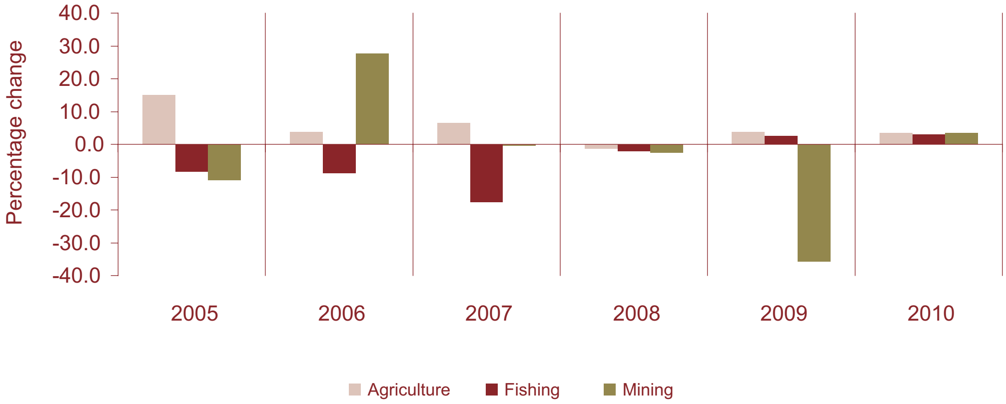
Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2010

[5]Figures used in this section are from the recently rebased National Accounts for 2000–2007.

PRIMARY INDUSTRIES

After recording a decline of 0.9 percent in real value added in 2007, a further contraction of 2.0 percent is estimated for 2008. Looking ahead, the performance of these industries is expected to deteriorate significantly in 2009, namely by 17.7 percent. The ***agriculture and forestry, fishing and on-board fish processing***, and ***mining and quarrying*** sectors are all estimated to have contracted in 2008 by 1.3, 2.0 and 2.4 percent, respectively (see Chart C.8). While ***Agriculture and forestry*** and ***fishing and on-board fish processing*** are forecast to improve in 2009 and over the medium term, the outlook for ***mining and quarrying*** remains bleak. This is due to the current global financial crisis, which has depressed world demand for commodities. With the US being the hardest hit by the crisis and simultaneously being the biggest buyer of Namibian diamonds, diamond mining is expected to contract by 47.9 percent in 2009 and display zero growth in 2010. While growth in other mining is expected to be positive – an estimated 31.0 percent in 2008 from 13.7 percent in 2007 – this will not be sufficient to offset the depressed performance of the ***diamond mining*** subsector.

Chart C.8: Primary industry real growth rates



Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2010

MINING AND QUARRYING

The ***mining and quarrying*** sector's real value added is estimated to have contracted by 2.4 percent in 2008, a deterioration from the 0.4 percent contraction in 2007. The origin of this decline is the contraction of 9.9 percent in diamond output. Output of other mining increased from 13.7 percent in 2007 to 31.0 percent in 2008, but because diamond mining contributes more to GDP and carries a greater weight, the positive development in the other mining subsectors, most notably the performance of uranium mining, was not enough to offset the depression experienced in diamond mining. However, with the increasing importance of uranium mining, it is necessary to review its importance to total mining output.

DIAMOND MINING

Real value added for the diamond mining subsector is estimated to have contracted by 9.9 percent in 2008, after a decline of 3.1 percent a year earlier (see Chart C.9). While the depressed performance can be attributed to the ongoing depletion of onshore reserves, the most significant factor determining the performance of this subsector in 2008 – and destined to do so in the medium term as well – is the weak global demand for this luxury commodity brought on by the world financial crisis. In order to save the ***diamond mining*** subsector from low revenue, a decision was taken to stockpile diamonds in anticipation of an improvement in the prices. In the short term, a number of prospecting and mining agreements with subcontractors were cancelled and workers were asked to take extended leave. In the period ahead, diamond mining production is expected to decline by 47.9 percent in 2009. However, in the medium term, diamond production is expected to stabilise in 2010.

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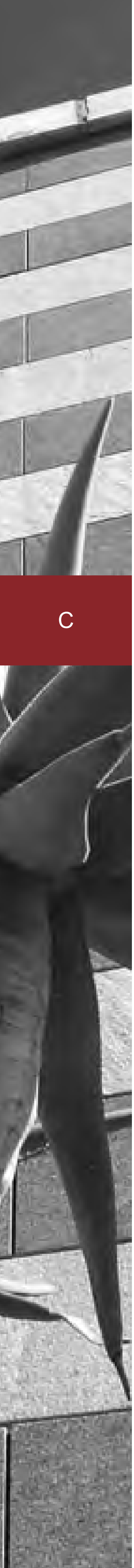
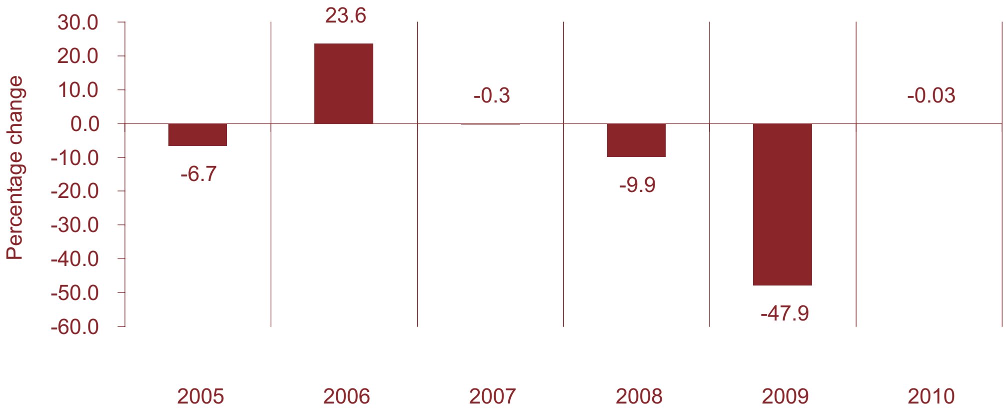


Chart C.9: Diamond production



Sources: Ministry of Mines and Energy; Bank of Namibia for 2008–2010 figures

OTHER MINING

The ***other mining*** subsector's value adding is estimated to have grown by 31.0 percent in 2008, a significant increase from the 13.7 percent recorded in 2007 (see Chart C.10).

Commodity prices were good in the first half of 2008 before they tapered off due to weakening global demand resulting from the financial market turbulence, global inflationary pressure, and weakened global demand. The subsector has been deeply affected by these factors. Copper mining was badly affected when the price of the commodity dropped in 2008; as a consequence, copper production has ceased altogether at the end of 2008. No production of copper concentrates is expected in 2009 either.

Other commodities such as gold and zinc have performed satisfactorily, although no major expansions took place in 2008 as the weakened world demand resulted in capital and exploration expenditure projects mostly being postponed for a year as companies take a wait-and-see stance with regard to developments in the economies of the largest commodity users, namely China and the US.

On the other hand, uranium production continued to register a largely positive performance. Although there was a decrease in spot prices in 2008, long-term supply contract prices of the two uranium mines remained promising, thus ensuring that production in 2008 remained on track. Two new uranium mines are set to open by the end of 2009. Uranium has not been adversely affected by the global and financial crisis because there remains a strong global demand for clean and cheap energy, and because a number of nuclear power stations around the world are already under construction.

Thus, the other mining subsector is expected to grow by 1.8 percent and 9.1 percent in 2009 and 2010, respectively. The slow growth in 2009 is mainly attributed to the cessation of copper operations, but the subsector is expected to pick up again in 2010 as new mines come on board and start operating.

Chart C.10: Other mining

Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2010

FISHING AND ON-BOARD FISH PROCESSING

The output of fishing and on-board fish processing estimated to have fallen by 0.2 percent in 2008, which is a considerable improvement when compared with the decline of 17.5 percent in 2007. Unfavourable oceanic conditions, high oil prices, and reduced fish stocks impacted negatively on this sector in 2007.

The second half of 2008 saw a drastic 40 percent decline in fuel prices, which cut about 15–20 percent of the operating costs for most fishing companies. As crude oil is not projected to rise above the US$70 per barrel mark in 2009, most fishing companies are optimistic about their performance in 2009 and beyond. Additionally, the Namibia Dollar began to depreciate strongly against the US Dollar, British Pound and Euro towards the end of 2008 – a trend that made fish exports more competitive.

Because Namibia manages the resource prudently, good sizes were caught over the last season and the same is expected for the 2009–2010 fishing season.

All the above factors, coupled with good oceanic conditions, indicate that the industry is expected to grow in the medium term by 2.5 percent and 3.0 percent in 2009 and 2011, respectively.

As total allowable catches are not expected to change significantly in the new season, which starts in April 2009, the only caution lies in the as yet unconcluded Economic Partnership Agreement talks with the European Union, on which Namibia's favourable access to European markets depends.

Table C.4: Total allowable catches for major species (metric tonnes)

Fishing season (January–December)				
Species		**2006**	**2007**	**2008**
Pilchard		23,000	15,000	15,000
Horse mackerel		360,000	300,000	230,000
Crab		2,400	2,500	2,500
Fishing season (April–March)				
Species	**2005/6**	**2006/7**	**2007/8**	**2008/9**
Hake	180,000	130,000	130,000	130,000
Orange roughy	2,050	1,100	900	900
Monk	9,500	9,500	9,000	9,000
Rock lobster	420	420	350	350

Source: Ministry of Fisheries and Marine Resources

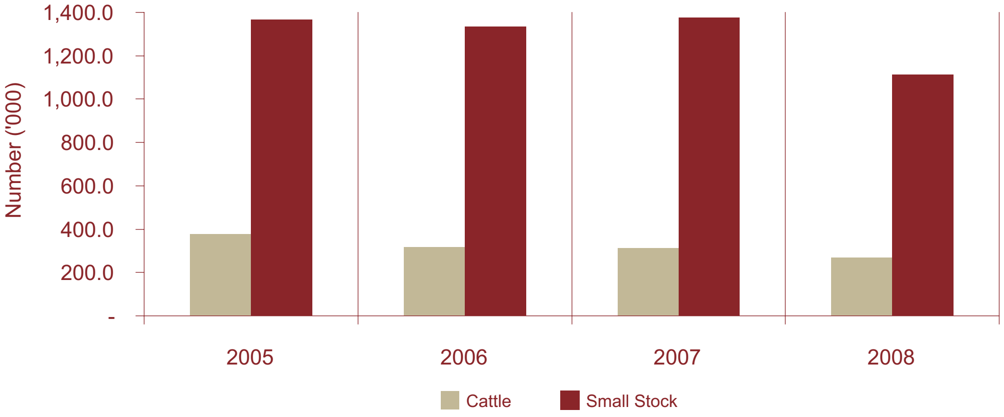
AGRICULTURE AND FORESTRY

In 2008, ***livestock farming*** subsector is estimated to have performed positively, growing at 1.0 percent, though growth is lower than the 1.8 percent recorded in 2007. In 2008, cattle marketed for export on the hoof declined by 14.0 percent, mainly due to a decline in the number of weaners exported. This means producers prefer to raise their cattle to term as they receive relatively better prices at Namibian abattoirs than weaners fetch in South Africa. Coupled with good rainfalls and bridge-capital schemes offered by local banks, cattle farming has become more competitive and is foreseen to increase slightly in the next two years, and remain stable over the medium term. Livestock farming sub-sector is therefore expected to grow by 4.0 percent in both 2009 and 2010.

The downside risks to agriculture remain bush encroachment, fluctuation in world commodity prices that affect both input and output costs, and the possible effects of exchange rate movements. The exchange rate and the price of yellow maize directly influence profitability: the stronger the Namibia Dollar is, the less profitable it becomes to sell to European markets; and the higher the cost of yellow maize, the lower the prices offered to suppliers of weaners at South African feedlots.

The number of small stock marketed decreased by 19.1 percent in 2008, but has increased in monetary terms. This is mainly due to the generally upward trend in the price for small stock, a movement which is expected to continue in the short to medium term.

Chart C.11: Livestock marketing



Source: Meat Board

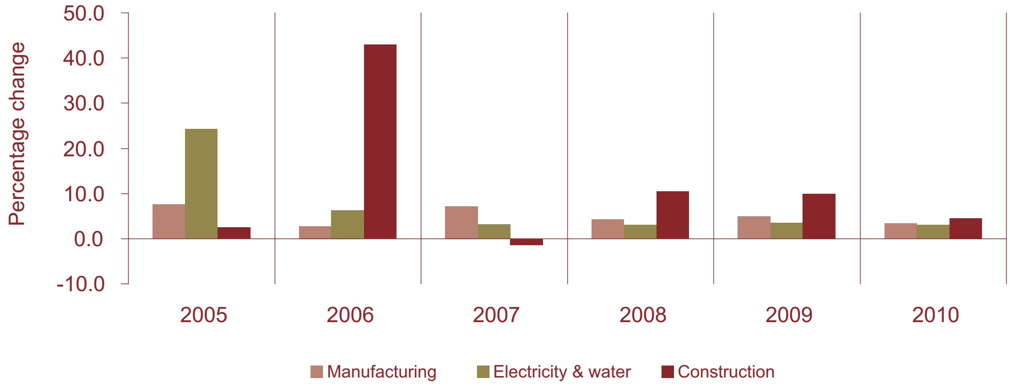
The subsector, ***crop farming and forestry*** production in 2008 is estimated to decline by 3.0 percent. The decline is attributed to the effect of the floods earlier in the year which devastated subsistence crops. Short to medium term projections are only indicative, as there are always innumerable factors, which are impossible to foresee. Coupled with the unpredictability of the weather, it suffices to say that forecasting growth in crop and forestry remains a perilous exercise. Nevertheless, with increased investment into the sub-sector through the Green Scheme and Millennium Challenge Account projects, early indications show that growth rate of 3.7 percent is expected in 2009, while a growth of 3.0 percent is expected in 2010.

SECONDARY INDUSTRIES

After a slowdown from 9.1 percent in 2006 to 5.0 percent in 2007, growth in the real value added by secondary industries is estimated at 5.2 percent for 2008. The key driver of the recovery was the ***construction*** sector, for which value added is estimated to have grown by 10.5 percent during 2008 – compared with a decline of 1.5 percent the previous year. This positive performance is mainly attributed to high investment in large projects for transport and expanding communications networks, as well as improvements in mining infrastructure.

The ***manufacturing*** sector also contributed positively to the performance of the secondary industries, while ***electricity and water*** showed a weak performance.

Chart C.12: Secondary industry real growth rates



Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2010

The ***manufacturing*** sector's real value added estimated to grow by 4.3 percent during 2008, a deceleration from 7.2 percent in 2007. All subsectors in Manufacturing performed positively, although the rates of growth reached in 2008 by all of them were lower in relation to those recorded for 2007. Activities include the processing of base metals, onshore fish processing, meat processing, and other food products and beverages.

In the period ahead, real value added of the manufacturing sector is projected to grow at 4.9

percent during 2009 after which it is expected to grow at 3.4 percent in 2010. The expected growth is attributed mainly on the increased activities in all the subsectors of the manufacturing sector meaning that growth would be quite broad-based.

The real value added of the ***meat processing*** subsector is projected to grow at 2.5 percent during 2009, an improvement from 2.0 percent in 2008. Growth is further expected to reach 3.0 percent in 2010. The performance of this subsector depends, among other factors, on the prevailing climatic conditions and prices, which determine the number of animals to be marketed. Accordingly, farmers are expected to restock their herds until 2010, and during 2010 the subsector should expand more strongly due to anticipated high demand and good prices as spin-offs of the FIFA Soccer World Cup event.

Real value added growth in the ***fish processing*** subsector is projected to remain virtually constant at about 2.0 percent during 2009, compared with an estimated growth of 2.4 percent in 2008, and a further growth of 3.2 percent is expected in 2010. Expansion is expected to come from an anticipated increase in fish stocks and sizes. Moreover, there is an increased scope for fish processing, most notably the tuna species, as per the mandate of the Ministry of Fisheries and Marine Resources. This is despite fishing quotas (total allowable catches) having remained unchanged for the coming season. The sector is also expected to benefit from the decrease in fuel prices and the favourable exchange rate over the medium term.

Prospects for the ***other food processing and beverages*** subsector are promising. The subsector is estimated to have grown by 4.0 percent during 2008 and expected to grow by 3.5 percent and 4.0 percent during 2009 and 2010, respectively. The subsector's export base is expected to expand, especially in the SADC region, where there is potential for growth. The expansion is attributed to further investment in storage and distribution facilities, and through improved marketing strategies in the beverages industry. The spillover benefits from the FIFA World Cup in 2010 are also expected to have a positive impact on the overall performance of this subsector. Despite these prospects, the downside risks remain the high costs of raw materials, the volatility in the exchange rate, and increased competition due to new products entering the markets.

Real value added for ***other manufacturing*** subsectors is projected to grow by 6.5 percent during 2009, an improvement of 1.5 percentage points compared with the figures estimated for 2008. Further, a growth of 3.0 percent is expected during 2010. This growth will be driven mainly by the anticipated increase in copper-smelting activities. Custom copper smelting should increase in 2009 to 35,000 tonnes of copper blister, due to the 'Ausmelt' furnace that is now fully operational. The smelting capacity is expected to increase by 60 percent from 2009 onwards as a result of additional copper concentrate imports, and further capacity expansion associated with the commissioning of the oxygen plant at the smelter.

The ***electricity, gas and water*** sector began experiencing a deceleration in its real value added growth in 2006, after posting a significant increase of 24.3 percent in 2005. Real value added reached a very low growth rate of 3.2 percent in 2007, and this decelerated to 3.0 percent in 2008. The sluggish growth and, ultimately, the decline in value added are caused by a shortage in the ***electricity supply*** from Eskom, a long-time import source for Namibia. This situation prompted the authorities to go to the drawing board in order to secure sufficient local power generation to meet demand in the medium to long term. In the past, the ***water supply*** relied on rainwater and, therefore, was dependent on climatic conditions for its performance. Nonetheless, a good performance is expected by 2010 due to the construction of the two desalination plants that will supply water to the uranium mines in the Swakopmund area. Accordingly, the output of the sector overall is expected to expand, with growth projected at 3.5 percent in 2009. Growth is further anticipated at 3.0 percent in 2010.

After a significant increase of 43.0 percent in 2006, real value added by the ***construction*** sector declined by 1.5 percent in 2007. However, the surge in construction saw real value added increase by 10.5 percent in 2008. Although the high and still increasing interest rates impacted negatively on construction activities in 2007, a continuation of certain Government construction projects supported sectoral performance in 2008. Real value added by the construction sector is projected to grow by 10.0 percent in 2009, and by 4.5 percent during 2010. The anticipated growth is attributed to construction activities planned in most sectors across the economic spectrum.

Major construction activities planned include the formation of the Ohorongo Cement Manufacturing factory, the NamWater and Trekkopje desalination plants, and the ongoing NamPower Caprivi Power Link Interconnector. Other projects include the construction of major hotels and office buildings in Windhoek, a major road network construction project, and Namport's plans to expand the Walvis Bay harbour, besides other industrial and civil construction projects. The Government has also planned to extend the Northern Rail link by one kilometre to allow goods to be offloaded in Angola. Furthermore, one of the existing uranium mines plans to expand and upgrade its plant. In the medium term, it is expected that significant construction activities will arise from projects under the Millennium Challenge Account, including the construction of schools as well as projects in the agriculture and tourism sectors.

The downside risks to the performance of the construction sector are the possible unavailability of cement, since South Africa, the main supplier of local cement, is experiencing high demand and expects a tightening of supply in the medium to longer term. Additionally, the four major cement producers in South Africa announced the planned implementation of double-digit price increases in early 2009, citing higher fuel costs, particularly for diesel, and higher coal and electricity prices. The high cost of borrowing may also adversely affect residential and commercial construction activities. The overall risks to the industry outlook are uncertainty and loss of business and consumer confidence associated with the worsening of the global financial crisis, resulting in turn from slower world growth – particularly among developed economies.

TERTIARY INDUSTRIES

After growing at about 5.0 percent for the past two years, growth in real value added in respect of the tertiary industries is estimated to decelerate to 3.3 percent in 2008. The slower growth in 2008 was reflected in the same downward movement in most sectors, including ***other business services and community, social and personal services***. The environment of high interest rates and inflation coupled with a weak local currency for the large part of 2008 decreased domestic demand, thus slowing down tertiary industries' performance. Real value added by these industries is expected to grow by 4.7 percent and 3.0 percent in 2009 and 2010, respectively.

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Chart C.13: Tertiary industry real growth

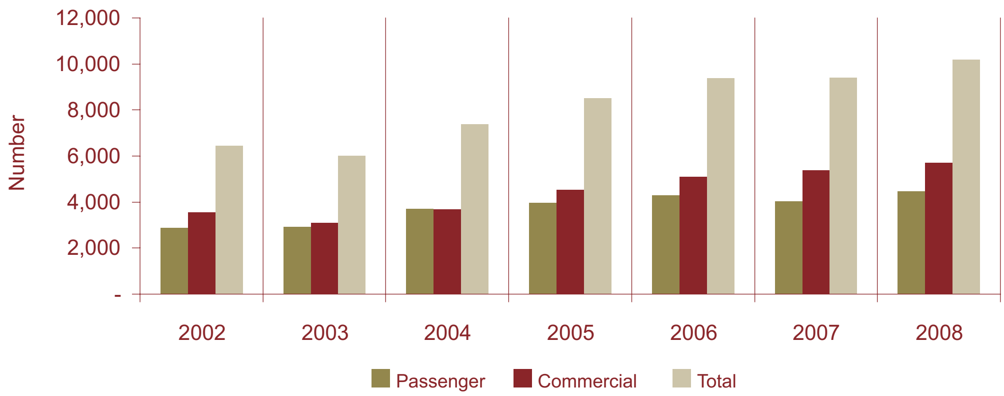
Sources: Central Bureau of Statistics for National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2011

The ***wholesale and retail trade*** sector is estimated to have grown by 4.5 percent in 2008, as illustrated in Chart C.13. The slowdown is a reflection of the high – albeit improving – rate of inflation that reduced consumers' disposable income. Nonetheless, this sector benefited from Government intervention when VAT on certain basic foodstuffs was zero-rated, causing consumer demand to improve. The total number of vehicles sold rose by 8.1 percent during 2008, compared with a rise of 0.1 percent in 2007 (see Chart C.14).

Despite the global outcry of the worldwide impact of the financial crisis on the motor industry, sales of new vehicles in Namibia have not been affected much. The number of new vehicle sold in 2008 surpassed those in 2007 by 8.1 percent. This could be indication of an improved demand, but it should be interpreted cautiously since the Government was the buyer of most of the new vehicles during the year to renew the fleet of the Namibian Police. It is imperative to note that the increased demand could also be attributed to the spending behaviour of the citizens of Namibia's northern neighbour, Angola.

Looking ahead, the sector is expected to record a growth of 6.5 percent in 2009, while a growth rate of 3.6 percent is anticipated during 2010. The expected expansion is attributed to further investment in the storage and distribution facilities and to improved marketing strategies in the beverages industry, as well as the anticipated easing in interest and inflation rates. The spillover from the FIFA World Cup in 2010 is expected to have a positive impact on the overall performance of the industry.

Chart C.14: Vehicle sales



Source: Simonis Storm Securities

Real value added of the ***hotels and restaurants sector*** is estimated to have grown by 4.3 percent in 2008. This is mainly ascribed to an increase in the estimated number of tourists coming to Namibia during the year under review, which could in turn be the result of intense marketing at international tourism and hunting fairs in Germany, the United Kingdom and the US and Germany for the past two years. At these fairs, Namibia was marketed as a unique tourist destination with unspoilt nature and wildlife. Growth in value added for the subsector is anticipated at 3.7 percent and 1.5 percent in 2009 and 2010, respectively. Contributing to these expectations are Namibia's safety in comparison with other tourist destinations in the southern African region, and further international marketing efforts, especially before and during the FIFA World Cup. However, the effects of these measures will probably only be fully felt and assessed in the years beyond 2010.

The ***transport, storage and communication*** sector recorded a growth rate of 7.4 percent in 2007, compared with 14.4 percent in 2006. The slowdown is attributed to both the ***transport and storage*** subsector, as well as the ***post and telecommunications*** subsector. The transport and storage subsector slowed from a growth of 35.9 percent in 2006 to 15.2 percent in 2007, while post and telecommunications recorded growth of 1.9 percent in 2007, compared with 2.8 percent in 2006.

The sector as a whole is estimated to have expanded at about 4.2 percent in 2008. A growth of 5.0 percent is expected in 2009, while a growth rate of about 4.4 percent is anticipated in 2010. The slower pace of growth in 2008 is attributed to the high oil prices that prevailed for the first three quarters. Growth expectations in the years to follow are attributable to further investment in storage and distribution facilities and through improved marketing strategies in the beverages industry. Growth in telecommunications will be driven by a favourable environment, particularly with the implementation of the new Telecommunications Policy[6]. Investment in roads and railways infrastructure and the refurbishment of locomotives will contribute to improved road and rail transport. Reduced operation costs, particularly in fuel expenses, will also ensure enough savings for the sector, but volatility in international crude oil prices remains a risk.

Real value added for the ***financial intermediation*** sector, on average, grew by 4.8 percent between 2006 and 2007, whereas 2005 saw an impressive rate of growth of 15.1 percent. The sector is estimated to grow by 2.2 percent in 2008, which is slightly weaker than the growth of 5.2 percent registered for 2007. This slowdown is a reflection of primarily slower output growth in the banking sector, as a result of narrower interest margins and the higher cost of installing the new payment infrastructure. A growth of 5.0 percent is expected in 2009, mainly as a result of further narrowing of interest margins and a similar growth rate of 5.0 percent is also expected for 2010, due to an envisaged reduction in price levels.

The real value added in the sector ***real estate and business services*** grew by 6.1 percent in 2007, compared with 3.6 percent in 2006. The ***real estate*** subsector recorded growth of 4.8 percent in 2007, while ***other business services***, e.g. security services, accounting firms, and lawyers, recorded a growth of 9.8 percent in the same period. The sector is estimated to have subdued to a growth of 3.8 percent for 2008, but improved growth rates of 4.6 percent is expected in 2009. Furthermore, a growth of 3.2 percent is forecast in 2010 due to renewed demand for new residential and non-residential buildings in response to the envisaged reduction in interest rates in the foreseeable future.

The ***public administration and defence*** sector includes the activities of Central Government, statutory bodies, regional councils, and local

[6]The new Telecommunications Policy is deemed to have more advantages than disadvantages. The Policy is framed in the context of Vision 2030 and National Development Plans, with the aim of providing clear guidelines for development in the years ahead.

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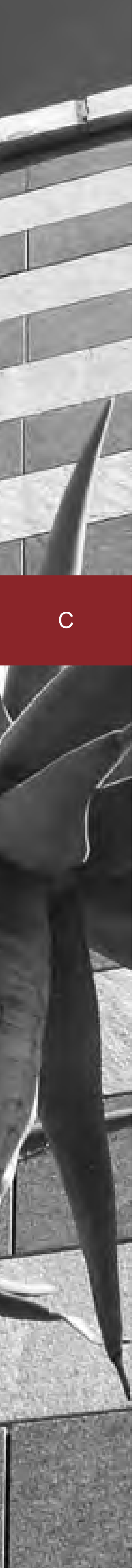


authorities. The sector recorded a real value added growth rate of 4.1 percent in 2006 and 5.3 percent in 2007. The sector is estimated to post growth of 3.5 percent in 2008. A growth rate of 5.2 percent is projected for 2009, before slowing down to 2.0 percent in 2010. The higher growth of 5.2 percent in 2009 is mainly linked to the increase in civil servants' salaries – which should expand the number of civil servants – as well as activities related to the general election that year.

The rate of growth in real value added for the ***education*** sector decelerated to 0.2 percent in 2007, compared with a 3.6 percent growth rate in 2006. Growth of 1.9 percent is estimated for 2008. However, a slight acceleration to 2.7 percent is expected for 2009, before growth slows down to the same level of 1.9 percent in 2010.

The ***health*** sector's real value added grew by 5.5 percent in 2007, compared with a contraction of 3.1 percent the preceding year. A growth rate of 2.0 percent is estimated for 2008, while that of 2.6 percent is expected for 2009, before it slows to 1.5 percent in 2010. The increases in both education and health sectors in 2009 were also due mainly to salary increases.

GROSS NATIONAL INCOME AND GROSS NATIONAL DISPOSABLE INCOME

In 2007, gross national income (GNI) at current market prices stood at N$60.7 billion, an increase of 13.2 percent from the 2006 level. Namibia's GDP at current market prices stood at N$61.5 billion in 2007, which is 13.9 percent more than GDP for the preceding year. The fact that GNI was lower than GDP suggests that the income earned by foreigners in Namibia surpassed the income earned by Namibia's foreign investments. Gross national disposable income (GNDI) rose by 12.8 percent from the level in 2006 to stand at N$67.8 billion during 2007. GNDI, in turn, was greater than GNI, which mainly reflects the substantial net foreign transfer receipts, notably payments received from the SACU revenue pool.

In line with the projected SACU receipts for the medium term, the situation is likely to repeat itself in the period ahead. Therefore, GNI and GNDI are estimated at N$70.3 and N$78.8, respectively, in 2008 (see Chart C.15). Looking ahead, GNI and GNDI are projected to grow by 11.8 percent and 10.3 percent, respectively, in the next three years.

RELATIONSHIP BETWEEN GDP, GNI AND GNDI

In national accounting aggregates, GDP, GNI and GNDI can be explained in simple terms by using two years, namely 2003 and 2007, as illustrated in Table C.5.

Table C.5: Relationship between GDP, GNI and GNDI (N$ billion)

National account aggregate	2003	2007
Gross domestic product (GDP)	37.3	61.4
Plus: Net private income received from the rest of the world	1.7	-0.7
Gross national income (GNI)	39.0	60.7
Plus: Net foreign transfers received from the rest of the world	3.5	7.1
Gross national disposable income (GNDI)	42.5	67.8

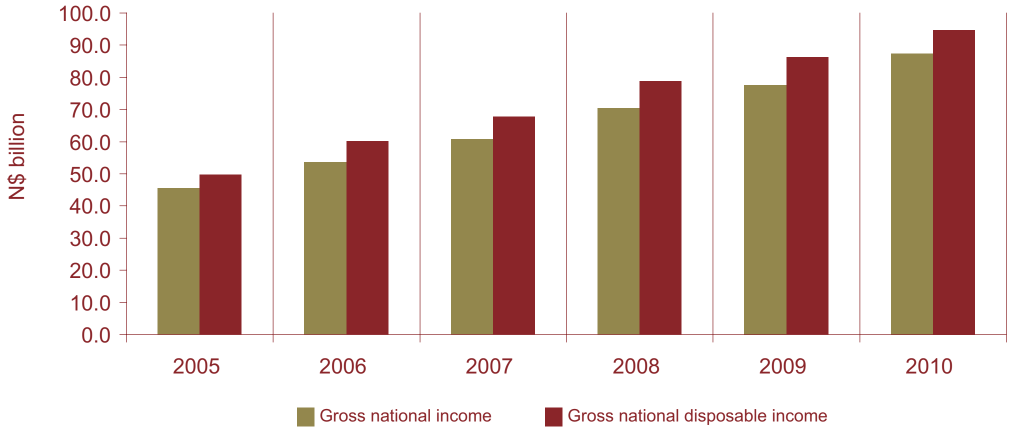
If GNI exceeds GDP, as has been the case since 2005, it signifies that primary income payable to the rest of the world in the form of dividends and interest, for example, exceeds the inflows of such incomes. The difference between GNI and GDP is strongly influenced by two factors:

- The returns on foreign investments held by Namibian corporate and financial institutions, and
- The returns that foreign investors in Namibia earn in the form of dividends and the interest paid on foreign debt.

In the example above, GNI was greater than GDP in 2003, which means that Namibia's foreign investments received more returns than the returns on investments made by foreigners in Namibia. In 2007, the opposite was the case, when foreign investments in Namibia earned more than the income generated by Namibia's foreign investments.

Namibia's GNDI normally exceeds its GDP by a considerable margin, because the country has been a substantial recipient of net foreign transfers in the form of foreign aid, taxes on income earned by foreigners, and other transfer receipts. The most significant part of foreign transfer receipts is the non-tax portion of the revenue earned from the SACU common revenue pool.

Chart C.15: GNI and GNDI (current market prices)



Sources: Central Bureau of Statistics, National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2011

In real terms, growth in real GNI slowed to 7.0 percent in 2007, from a much higher rate of 13.0 percent in 2006. This translated into the same movement in growth in real GNI per capita, from 11.0 percent in 2006 to 5.1 percent in 2007. The slowdown in real GNI in 2007 was primarily underpinned by increased net primary income payments to the rest of the world, as dividend and interest payments to non-residents increased substantially between 2006 and 2007. A decrease in net primary income is estimated for 2008, and is expected to continue in 2009 (see Chart C.16). Therefore, real GNI is estimated to grow by 10.8 percent in 2008, while an average growth rate of 7.1 percent is expected over the period 2009–2010.

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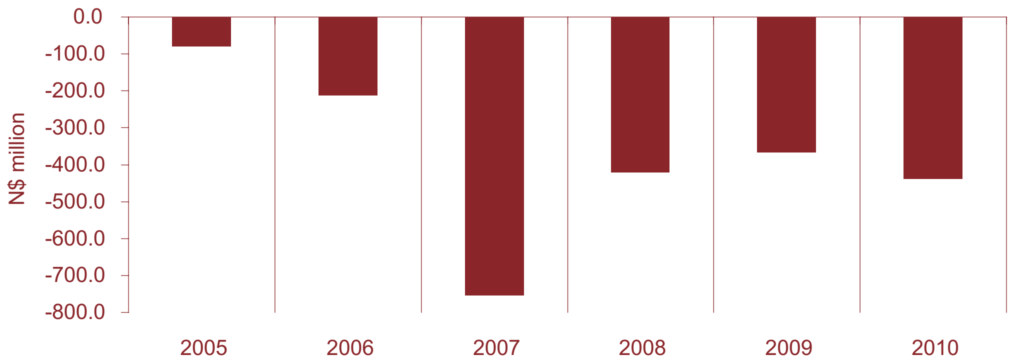
Chart C.16: Investment income (net)



Sources: Central Bureau of Statistics, National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2011

As has been observed for the past four years, real GDP per capita continued to increase in 2007 to N$24,058 by 2.2 percent from the level recorded in 2006. This could indicate an improvement in Namibians' standard of living, but it should be interpreted cautiously – given the relatively high inequality in the distribution of national resources, as reflected in the still high Gini coefficient of 0.6. Real GDP per capita is estimated to increase slightly, i.e. by 0.8 percent, in 2008. An average growth rate of 0.2 percent is projected over the next two years.

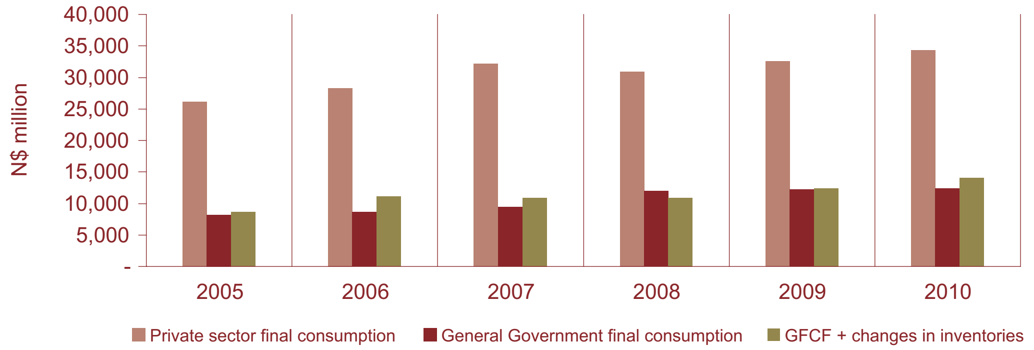
GROSS DOMESTIC EXPENDITURE

Aggregate gross domestic expenditure (GDE), i.e. expenditure on consumption and investment, is estimated to have risen to N$62.2 billion in 2007, from N$52.5 billion recorded a year earlier. The growth was driven mainly by final consumption in the private sector, which increased by 24.4 percent in 2007. Final consumption by general Government increased by 18.2 percent, supporting this growth, while gross fixed capital formation rose at a much slower pace. As such, the contribution to GDP in respect of final consumption in the private sector improved to 61.2 percent in 2007, up from 56.0 percent in 2006, while a reduction was seen in the GDP contribution by gross fixed capital formation.

In real terms, the aggregate GDE rose by 9.2 percent, to reach N$52.5 billion in 2007. Again, the growth in 2007 was mainly reflected in the private sector's final consumption, which rose by 13.5 percent to N$32.1 billion (see Chart C.17). Real GDE is estimated to grow by 2.6 percent in 2008, mainly as a result of final Government expenditure, which is estimated to grow by 26.4 percent, as per the Medium-term Expenditure Framework. An average growth rate of 5.4 percent is projected for the next two years due to an increase in private consumption demand as a result of envisaged decreases in the price level.

Real gross fixed capital investment decreased by 4.2 percent in 2007, compared with the robust expansion of 32.8 percent recorded in 2006. The expansion of investment in 2006 mainly originated from the mining sector, and was ascribed to a high demand for minerals in the international market. A sluggish growth rate of about 0.5 percent is estimated for 2008, but an improved average growth rate of 7.6 percent is projected for the next two years. Medium-term growth is mainly attributed to investment activities related to the new cement factory, the railway and road network, new hotels, etc.

Chart C.17: Components of real GDE



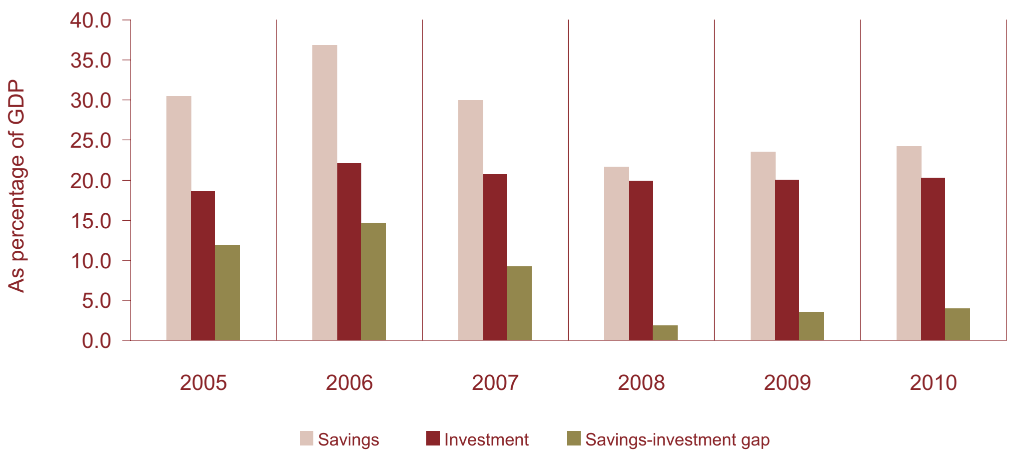
Sources: Central Bureau of Statistics, National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2011. GFCF stands for Gross Fixed Capital Formation

SAVINGS AND INVESTMENT BALANCE

Since 2000, Namibia has been experiencing a position of excess savings over investment. These excess savings are equivalent to the surpluses on the external current account. While the trend of domestic savings was N$14.1 billion in 2005, N$19.9 billion in 2006, and N$18.4 billion in 2007, investment has registered lower levels of N$8.6 billion in 2005, N$11.9 billion in 2006, and N$12.7 billion in 2007. As a result, the excess savings gap increased to N$7.9 billion in 2006, up from N$5.5 billion in 2005, before dropping to N$5.7 billion in 2007. The amount of excess savings over investment represents 11.9 percent of GDP in 2005, 14.7 percent in 2006, and 9.3 percent in 2007 (see Chart C.16). The savings–investment gap as a proportion of GDP is estimated to be around 1.8 percent in 2008, and is projected to level out at 3.7 percent on average over the next two years.

The continuous excess in savings over investments suggests that Namibia has failed to turn the considerable savings resources into the much-needed domestic investments. The excess savings that are not invested in Namibia will naturally lead to capital outflow, particularly to South African financial markets. Taking advantage of these excess savings to boost local investments continues to be a challenge that the country has to deal with. Measures taken to entice institutional investors such as pension funds and insurance companies to invest more assets locally should help to address this challenge.

Chart C.18: Savings–investment gap



Sources: Central Bureau of Statistics, National Accounts, 2005–2007; Bank of Namibia for 2008 estimates and projections for 2009–2011

INFLATION

Underpinned by prudent fiscal and monetary policies and a favourable external environment, inflation averaged 4.7 percent during 2005–2007. However, inflation accelerated progressively in 2006 and 2007, mainly due to high and persistent increases in international crude oil and food prices and a weaker domestic currency, resulting in annual average rates of 5.1 percent in 2006 and 6.7 percent in 2007.

Inflation pressure continued to be felt during the larger part of 2008 as fuel and food prices continued to increase. Measured on an annual basis, the highest inflation level of 12.0 percent was reached starting in August 2008, and that momentum persisted until October 2008. Annual inflation in major categories of the NCPI is depicted in Chart C.19.

Chart C.19: Annual Inflation rates in major categories of the NCPI

Source: Central Bureau of Statistics

Towards the end of 2008, however, a deceleration in the rate of inflation was witnessed, with rates of 11.7 percent and 10.9 percent registered in November and December, respectively. This was a direct response to the tightened monetary policy stance of the Bank of Namibia that saw its repo rate increasing by 350 basis points since the first increase in June 2006[7] in an attempt to contain prices and to prevent second-round effects of oil-price inflation. A collapse in international oil prices was a great aid to the reversal in inflation trends, as was Government's zero-rating of VAT on certain basic food commodities, which led to decreasing the prices of food. Since food makes up the greatest weight in the consumption basket, the reduction in food prices contributed considerably to lowering the overall inflation rate. To this end, and having observed a progressive reduction in demand indicators, the Bank of Namibia felt it necessary to relax the monetary policy stance during the last month of 2008, when it reduced the repo rate by 50 basis points to 10 percent. A combination of the above developments culminated in a six-year-high average annual inflation rate of 10.3 percent for 2008.

Although most categories of the NCPI basket generally increased during 2008, the major contributors to rising inflation were the categories ***food and non-alcoholic beverages*** and ***transport***. Inflation for the former category amounted to 17.0 percent on average in 2008, compared with 12.2 percent in 2007. Food prices have also been influenced by high international prices, which could be attributed to shortages caused by the utilisation of part of farmland for biofuel production, and escalating production costs resulting from high fuel prices. However, the international prices for some food commodities such as maize and wheat started to decrease in the second half of 2008, due mainly to the reduction in the global demand for them.

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[7] It is estimated that, in Namibia, it takes about seven quarters for a change in the repo rate to impact on credit demand and other real variables.

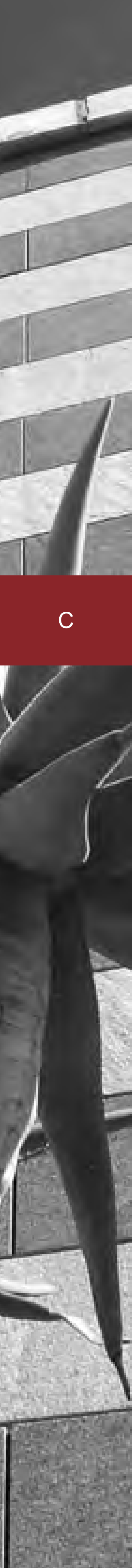

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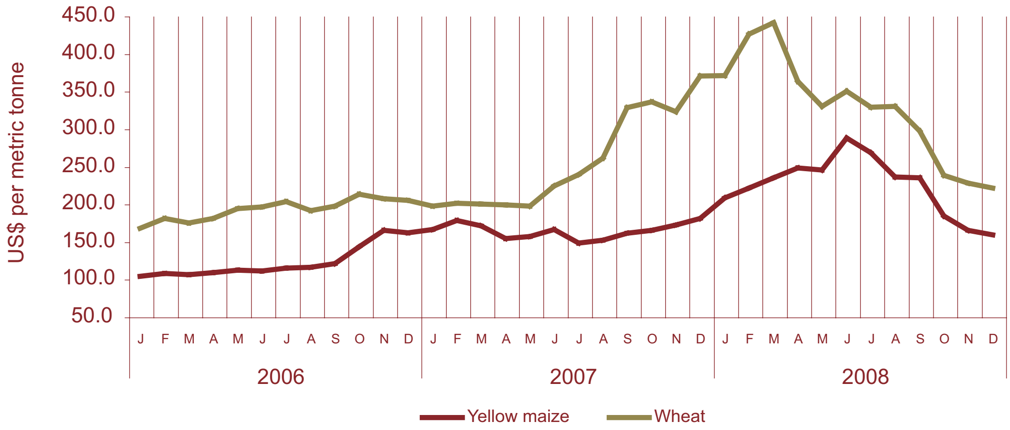
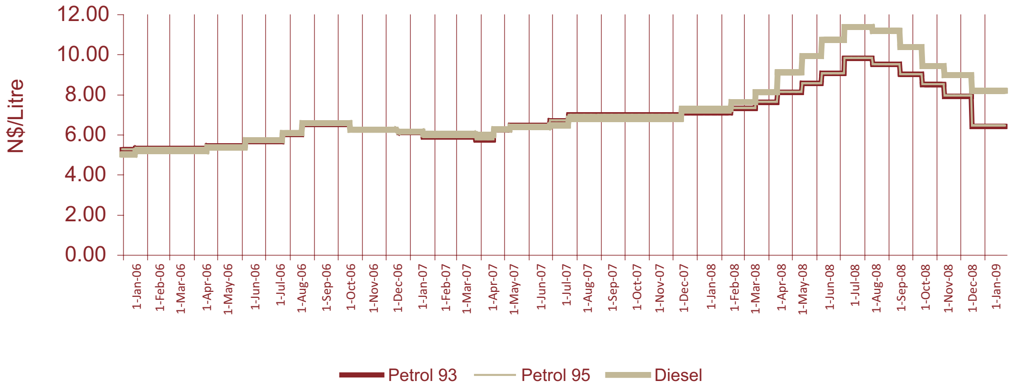
Chart C. 20: Prices of yellow maize and wheat



Source: IMF

Furthermore, transport inflation stood at 12.1 percent on average in 2008, compared with 6.0 percent in 2007, also as a direct result of high international crude oil prices. Although the inflation rate of the transport category remained higher during 2008 in comparison with 2007, consumers were relieved by six consecutive reductions in petrol pump prices, which were introduced due to falling crude oil prices and the exchange rate depreciation that rendered the import bill cheaper (see Chart C.21).

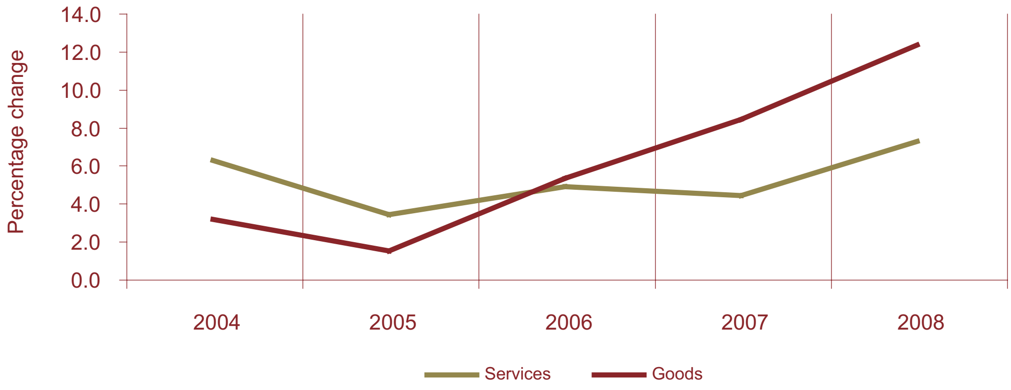
Chart C.21: Controlled fuel pump prices, Walvis Bay (N$ per litre)



Source: Ministry of Mines and Energy

Analysing inflation on the basis of goods and services categories indicates that, although both categories showed increases in 2008, goods inflation drove inflation in 2008, sparked by food inflation (see Chart C.22). On a monthly basis, however, services inflation continued to rise, while that of goods inflation decreased in line with the reduced prices of food observed during the last quarter of 2008. The continued services inflation is essentially explained by the second-round effect of overall rising inflation.

Chart C.22: Goods and services inflation



Source: Central Bureau of Statistics

Since the South African Rand is Namibia's anchor currency, a comparison between inflation in Namibia and South Africa becomes imperative. As in the case of Namibia, South Africa also experienced persistent pressure from inflation from the first half of 2008 due to constant increases in international oil and food prices, with its Consumer Price Index excluding mortgage (CPIX) reaching a high of 13.8 percent in August 2008. However, the trend reversed once international food and oil prices began to decline in the last quarter of 2008, with the CPIX decreasing to 12.4 percent in November 2008 and further to 10.8 percent in December 2008. This trend resulted in an annual inflation rate of 11.3 percent for 2008, which is significantly higher than the 6.5 percent recorded for 2007. The 2008 inflation rate for South Africa is also higher than that of 10.3 percent for Namibia (see Chart C.23). In response to abated inflation rate during the latter part of 2008, the South African Reserve Bank cut interest rates by 50 basis points to 11.50 percent.

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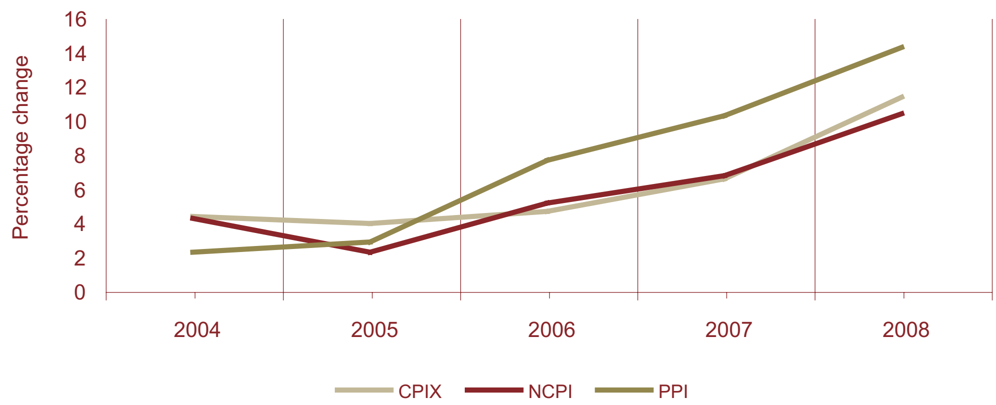
Chart C.23: NCPI vs CPIX and Producer price index (PPI)



Sources: Central Bureau of Statistics and Stats South Africa

REBASED NATIONAL ACCOUNTS

Introduction

National Accounts Statistics provide useful information about an economy's performance. The accounts are compiled according to different approaches, e.g. the expenditure or income approach, and are presented in various formats and differing degrees of detail for use by researchers, planners and policymakers.

The general statistical framework known as the System of National Accounts used by Namibia and many other countries of the world consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets, and tables, based on a set of internationally agreed concepts, definitions and accounting rules. The constant price estimates in terms of the values of a particular reference or base year of the national accounts are important indicators of growth or movements of real output over a specific period.

The base period is the reference point of any index, and the index number for the base period or base year is normally set at 100. Base periods are normally chosen carefully and should preferably fall in an economically stable or normal period. Other considerations in choosing a base period are the census year, the survey year or the sample year, because comprehensive data are available for the relevant variables in such years. The base year of the national accounts is changed periodically to take into account structural changes which take place in the economy, and to depict a true picture of the economy through macro aggregates like GDP, consumption expenditure, and capital formation.

The Central Bureau of Statistics of Namibia's National Planning Commission updated the statistics measures in accordance with international standards and best practice, and came up with the national accounts estimates rebased to 2004. The new series of these accounts, besides the shifting of the base year from 1995 to 2004, incorporates improvements in terms of coverage and a change in compilation methodology, among other things.

Normally, when the base year of national accounts statistics is changed, some changes occur in the levels of GDP estimates as well. This happens due to widening the coverage and including new survey results, as mentioned above. The objective of this Box Article, therefore, is to highlight the main changes brought about by the rebasing exercise.

Salient features of the rebased statistics

The results of the National Household Income and Expenditure Survey (NHIES) 2003/4 are used in the current estimates to derive the private consumption expenditure for the new base year to replace the ratios derived from the 1993/4 NHIES. This could be the main reason why 2004 was chosen as the new base year.

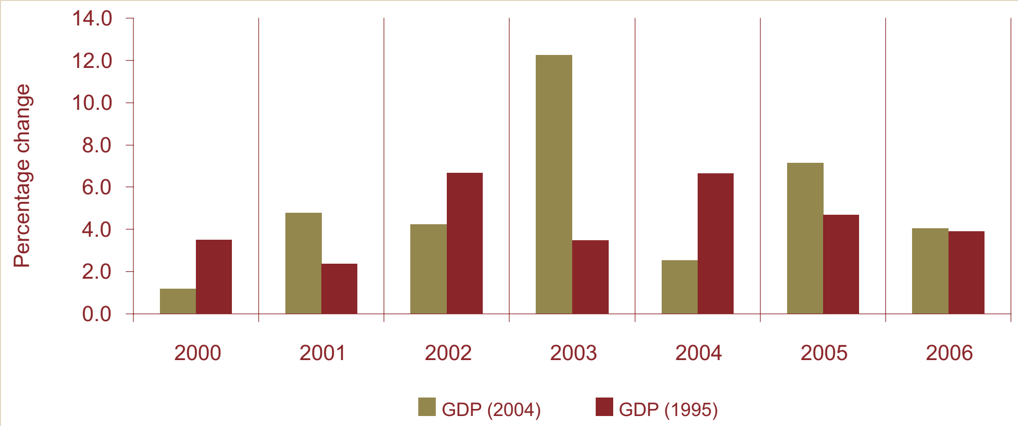
Other significant procedural changes made in the new series are the incorporation of the results from the 2001 Informal Sector Survey and the changes in the compilation methodology. Previously, the informal sector was only calculated for agriculture; the remaining sectors were estimated using ratios from the 1993/4 NHIES. The current estimates use the results of the Informal Sector Survey to independently account for the value added estimates in all sectors of the economy.

Furthermore, the methods of compilation for the insurance sector as well as for the wholesale and retail sector have been changed, and detailed consumer price indices and producer price indices has been used for different sectors.

Changes in the statistics

As a direct result of the above changes, the average GDP growth rate for the period 2000–2006 changed from the 4.5 percent recorded for the 1995 base year, to 5.2 percent, using 2004 as the base year. Chart C.24 depicts the movements of real GDP growth as per the two base years.

Chart C.24: Real GDP growth



Source: Central Bureau of Statistics, National Accounts

The above-mentioned change accordingly induced an upward or downward chain reaction on all national account aggregates. As can be seen in Table C.5, the average real final growth in consumption expenditure for the period 2000–2006 changed from 3.1 percent for the 1995 base year to 3.8 percent for the 2004 base year.

Table C.5: Real growth rates (%)

2004 = 100	2000	2001	2002	2003	2004	2005	2006
Industries							
Primary	-7.4	20.8	-1.6	20.0	-3.1	12.8	-0.9
Secondary	7.3	-3.4	13.9	2.0	8.8	9.1	5.0
Tertiary	3.2	1.2	6.9	10.4	2.1	5.4	5.4
GDP	**1.2**	**4.8**	**4.2**	**12.3**	**2.5**	**7.1**	**4.1**
Main aggregates							
Final consumption expenditure	4.5	7.4	-1.7	7.0	2.7	-0.9	7.6
Gross fixed capital formation	-9.0	35.3	-0.8	-5.0	6.2	3.6	32.8
Gross domestic expenditure	2.4	12.4	-3.3	5.7	3.7	0.5	11.8
Exports of goods and services	-0.8	-2.7	16.2	8.9	5.4	-0.8	15.3
Imports of goods and services	-5.2	14.3	6.2	10.5	-9.9	0.9	16.3
1995 = 100	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Industries							
Primary	3.9	-8.3	12.4	0.2	13.2	1.9	7.5
Secondary	3.1	9.0	3.8	9.4	2.5	2.8	-0.9
Tertiary	3.9	3.9	6.2	3.6	7.1	7.0	4.5
GDP	**3.5**	**2.4**	**6.7**	**3.5**	**6.6**	**4.7**	**3.9**
Main aggregates							
Final consumption expenditure	4.3	3.3	3.5	-4.6	6.7	-1.5	10.3
Gross fixed capital formation	-9.0	27.1	11.9	24.2	-10.3	0.5	10.1
Gross domestic expenditure	2.2	7.9	3.3	3.6	1.8	0.0	9.1
Exports of goods and services	-0.8	-2.1	14.0	23.0	-4.1	-4.3	13.3
Imports of goods and services	-5.2	9.8	3.4	5.7	0.4	1.7	14.8

Source: Central Bureau of Statistics, National Accounts

In conclusion, to be able to do substantive modelling and analysis, users of the national accounts require longer and comparable time series data. Data for 1980 to 2007 can be obtained directly from the Central Bureau of Statistics on request.

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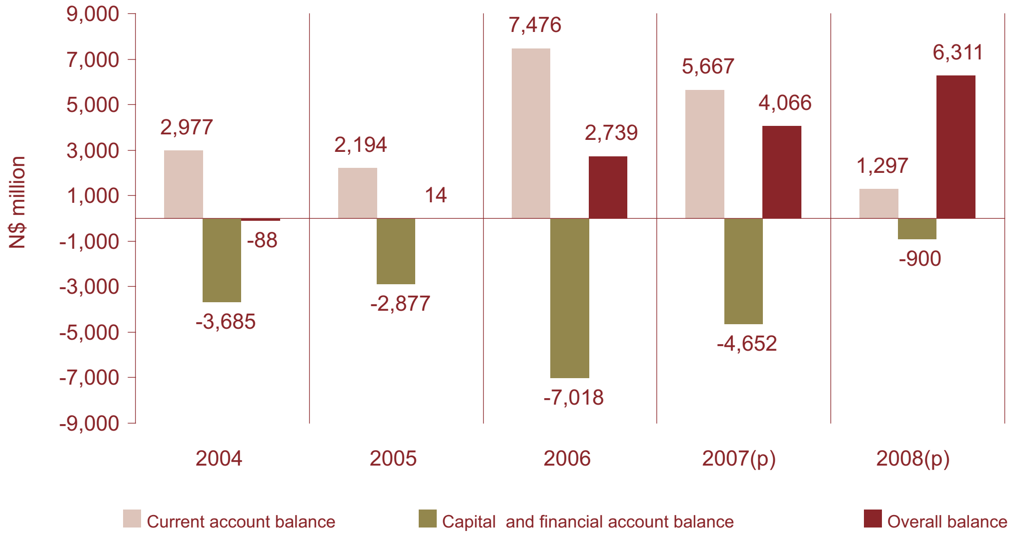
FOREIGN TRADE AND PAYMENTS[8]

Despite the slowdown in aggregate global demand for goods and services of which origin is associated with the international financial crisis, Namibia's external sector remained resilient in 2008. In this connection, the overall balance of the balance of payments reached a record high of N$6.3 billion surplus in 2008. Strong current transfer receipts in the current account, supported by long-term investments and foreign direct investments into Namibia in the financial account, were the main forces that led to this outcome. On the other hand, Namibia's merchandise trade balance deteriorated significantly in 2008, mainly on account of high fuel and fuel-related imports and a reduction in mining export receipts (see Chart C.25).

Chart C.25: Balance of payments, major accounts



During 2008, the current account surplus continued declining, as it had in the preceding year. However, the magnitude of this drop was greater, and was compounded by the effect of inflated imports on the merchandise trade balance. In the period ahead, the current account surplus is projected to continue declining, given the dampened global demand that affected commodity prices as a result of the financial crisis. With regard to the capital and financial account balance, the deficit narrowed sharply to N$900 million in 2008, from N$4.7 billion in 2007. In relation to GDP, the current account surplus worsened to 1.8 percent, down from a ratio of 9.2 percent in the preceding year. Over the same period, the capital and financial account deficit declined from 6.6 percent of GDP in 2007 to 1.3 percent in 2008.

Due in part to the international financial turmoil, the external value of the Namibia Dollar depreciated sharply against major currencies such as the US Dollar, the Euro and the British Pound. As a result, the stock of the international investment position (IIP) and external debt increased.

CURRENT ACCOUNT

The current account was characterised by an increase in net inflows in current transfers. ***Merchandise trade balance*** recorded a higher net outflow, supported by the services and investment sub-accounts. The rise in net outflows in services was caused by the impact of increased fuel costs and exchange rate depreciation, which led to a higher net outflow in respect of transportation services. However, other types of services, especially those relating to tourism, benefited from the exchange rate depreciation, which made Namibia a cheaper destination for non-resident tourists.

[8]P in this section stands for provisional.

MERCHANDISE TRADE BALANCE

Affected by depressed international demand, Namibia's merchandise export receipts for diamonds moderated notably in 2008 when compared with those of the preceding year. The import bill also rose sharply, mainly due to the high cost of fuel and the depreciation of the Namibia Dollar against the US Dollar. As a result, the total value of exports only rose by 12.1 percent, to N$23.1 billion, while imports rose by 32.8 percent, to N$28.9 billion. Accordingly, the merchandise trade deficit widened significantly by N$4.7 billion to stand at N$5.9 billion in 2008. The merchandise trade deficit is projected to moderate to N$2.8 billion in 2009 and to further narrow to N$0.7 billion in 2010. The projected narrowing of the merchandise trade deficit relative to the deficit in 2008 is mainly on account of the expected slowdown in the growth of import values.

Chart C.26: Merchandise trade

Source: Central Bureau of Statistics

IMPORT EXPENSES

During 2008, the import category ***petroleum products*** drove the import bill to record-high levels, mainly because of the deprecation in the Namibia Dollar against the US Dollar and the increased international price of crude oil, especially during the first half of the year (see Table C.6). Against this background, the proportion of imported petroleum products' weight rose to a record-high level of 13.3 percent in 2008. Between 2007 and 2008, the Namibia Dollar depreciated by 19.3 percent against the US Dollar, while the international price of crude oil rose by 36.4 percent over the same period. The depreciation of the currency, amongst other things, impacted on the import bill of other goods and services in 2008 as well. The import bill is projected to increase to N$33.1 billion in 2009 and N$35.7 billion in 2010, which is mainly influenced by ongoing and new investment projects.

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Table C.6: Major merchandise import bill (percentage of total)

Code	Commodity	2004	2005	2006	2007	2008
27	Mineral fuels, mineral oils and products of their distillation	3.8	2.2	3.2	10.4	13.7
29	Organic chemicals	0.2	0.1	0.1	0.2	0.2
30	Pharmaceutical products	4.2	3.8	3.3	2.5	2.8
39	Plastics and articles thereof	2.5	2.8	2.7	2.3	2.2
71	Precious or semi-precious stones, and articles thereof	0.2	0.4	0.3	0.6	3.6
72	Iron and steel	1.7	1.5	1.3	0.9	1.3
84	Nuclear reactors, boilers, machinery and mechanical appliances	11.9	11.5	12.1	11.6	11.4
85	Electrical machinery and equipment thereof	7.4	7.1	8.4	6.3	6.1
87	Vehicles other than railway parts	14.6	15.4	15.0	12.3	12.6
94	Furniture and related parts	2.0	2.1	2.1	1.9	1.9
	All other[9]	51.5	53.2	51.4	51.0	44.5

Source: Central Bureau of Statistics

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EXPORT RECEIPTS

Despite relatively weak diamond export receipts, especially during the second half of 2008, export receipts continued to be dominated by minerals (see Table C.7). The resilience in the contribution of minerals to total export receipts was a result of high export prices in the first half of the year, supported by strong volumes exported, which offset the poor performance in the second half.

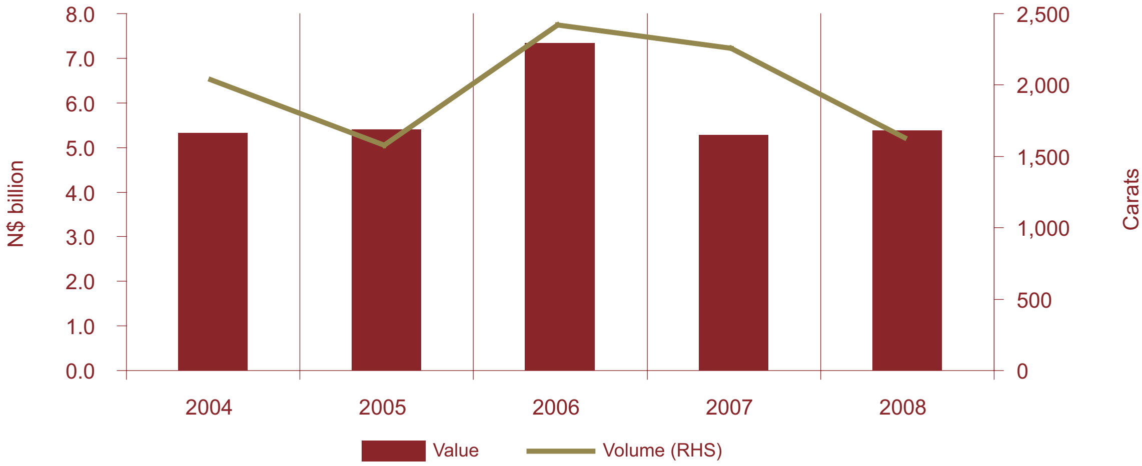
Table C.7: Major export receipts (percentage of total)

Export receipts	2004	2005	2006	2007	2008
Minerals, of which –	57.7	54.4	58.8	58.8	61.0
Diamonds	45.2	41.0	40.9	31.2	27.6
Food and live animals	13.1	15.3	12.2	9.7	10.7
Manufactured products	23.4	23.7	27.7	30.5	27.2
Other commodities	5.8	6.6	1.3	1.0	1.0

The decline in diamond prices during the second half of the year due to global slowdown that was a result of recession, caused diamond export receipts to decline in 2008. Diamond export receipts for the whole of 2008 decreased marginally by 0.9 percent to N$6.4 billion (see Chart C.27). The decline emanated mainly from the decrease in the price of diamonds throughout the last two quarters of 2008, while the export volumes recorded an increase compared to the preceding year (see Chart C.27). The outlook for diamond exports remains bleak amidst the economic downturn in advanced and emerging market economies.

[9]All other category consists of various import products, which do not have a significant value individually.

Chart C.27: Diamond exports

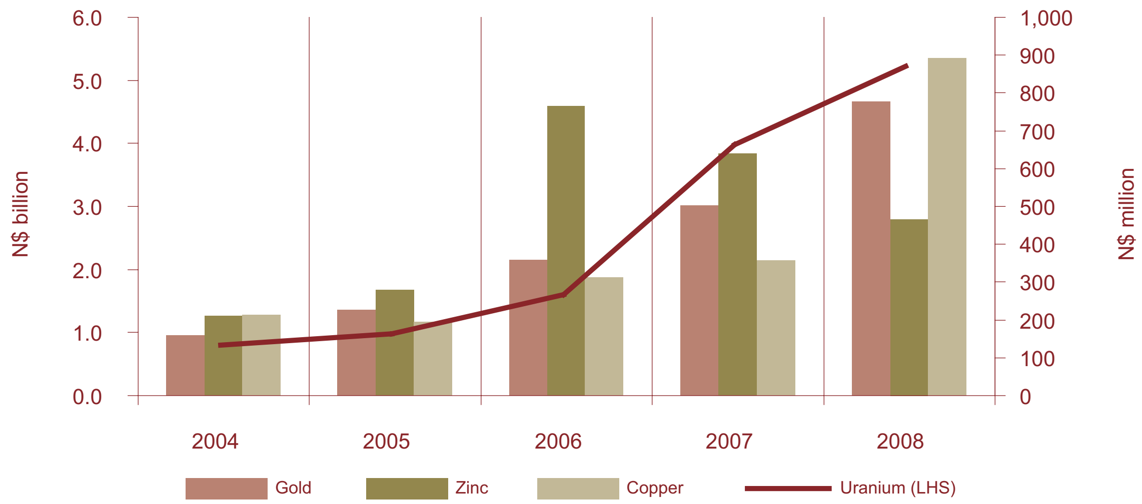


Source: Ministry of Mines and Energy

Export earnings in 2008 from the category ***other mineral products*** (unprocessed zinc, gold, lead and uranium) remained relatively high compared with the preceding year (see Chart C.28). The export value of ***other minerals*** rose by 35.8 percent compared with 2007 levels, to N$7.7 billion in 2008. The highest receipt in this category was that for uranium, followed by copper, gold and zinc.

Unlike the bleak outlook for diamond exports, that for other minerals is projected to remain firm on the back of the expected economic growth in emerging market economies, particularly China. Although all the main activities have been stopped at Namibia's copper mines, the copper smelter is still in full operation and is expected to continue contributing to export receipts.

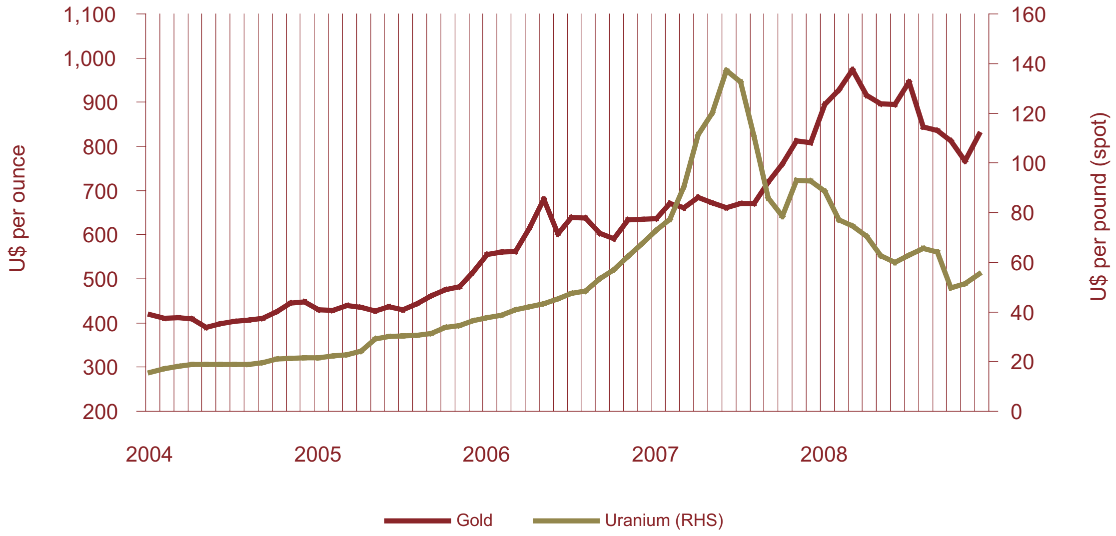
Chart C.28: Other minerals – export earnings



Source: Ministry of Mines and Energy

Driven mainly by increased volume exported, the export value of ***uranium*** rose significantly by 31.4 percent in 2008 to N$5.2 billion, in comparison with its 2007 level. On the other hand, the international uranium spot price declined from 2007 to 2008 as a result of the global economic downturn, and could have influenced long-term contract prices. This is because the spot price is a benchmark price for the long-term contract price, such that the latter should track the former (see Chart C.29a).

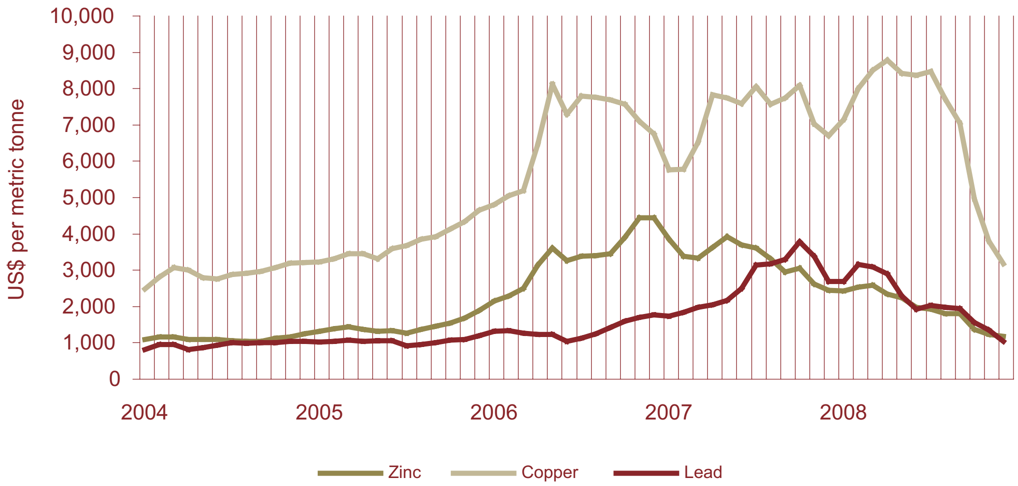
Chart C.29a: Selected international prices – Uranium and gold



Sources: IMF and World Gold Council

The export value of ***gold*** rose by 54.8 percent from the preceding year, to stand at N$777.0 million in 2008. Due to increased demand in the retail gold market, there were incidences of shortages across the globe as investors searched for safe investment havens. As a result, the gold price reached a record high of US$939.77 an ounce in July 2008 before declining to US$822.0 an ounce by the end of the year (see Chart C.29a).

Chart C.29b: Selected international prices – Copper, lead and zinc

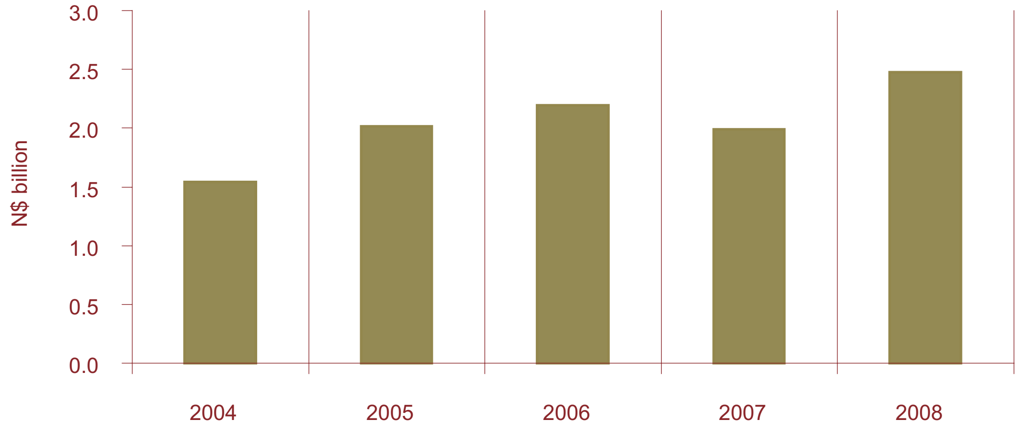


Source: IMF

With regard to ***unprocessed zinc***, export values declined to N$467 million during 2008 from N$640 million in 2007. This decline was reflected in decreased volumes exported and falling international market prices in 2008 relative to the preceding year (see Chart C.29b). The volume exported declined to 64,786 tonnes in 2008 from 97,322 tonnes recorded during 2007. The fall in the volume exported was a direct result of industrial unrest at the mine, which disrupted mining operations. The export value was further influenced by falling commodity prices, which led to a price decline of 41.3 percent from US$3,329 per tonne in 2007 to US$1,955 in 2008.

Export receipts for the category ***food and live animals***, consisting mainly of live animals, meat and meat preparations and fish, lobster and crab, rose by 24.4 percent to N$2.5 billion in 2008 (see Chart C.30).

Chart C.30: Food and live animals – Export value



The subcategories fish, lobster and crab rose significantly by N$328.3 million from N$237.9, recorded for 2007. Meat products also contributed to the increase in this category by 51.0 percent, followed by meat and meat preparations which registered increase revenue of N$976.0 million in 2008, an increase of N$125.2 million from the level of 2007.

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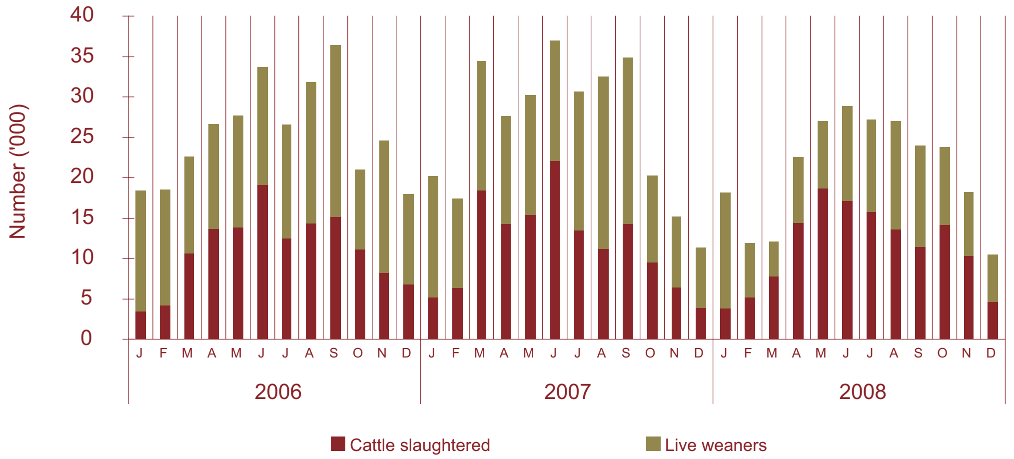
Chart C.31: Cattle slaughtered and live weaners for export



Source: Meat Board of Namibia

The strong increase in fish exports was also reflected in improved volumes and sizes landed for exports during the year. Furthermore, increased beef export earnings were driven by high export prices (see Chart C.32) as the volumes were reduced due to restocking during the year after good rainfall in 2007/8 (see Chart C. 31).

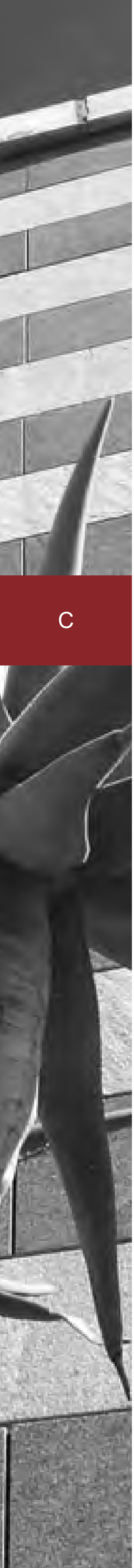


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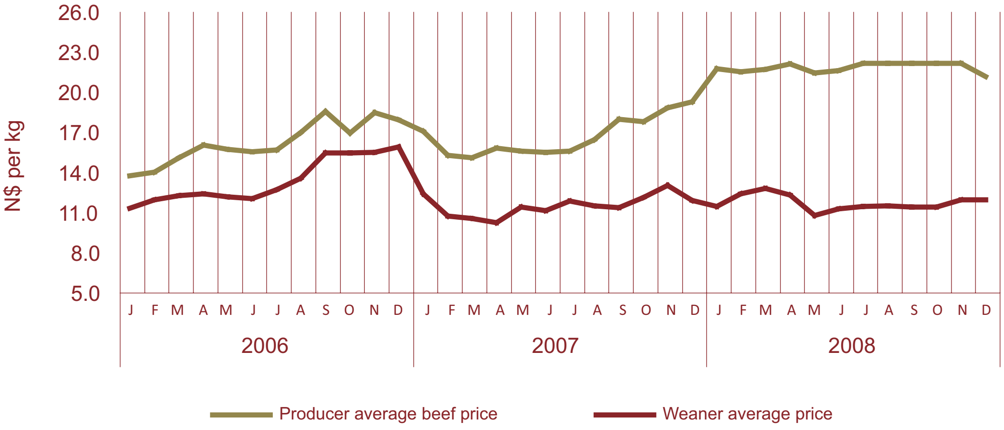
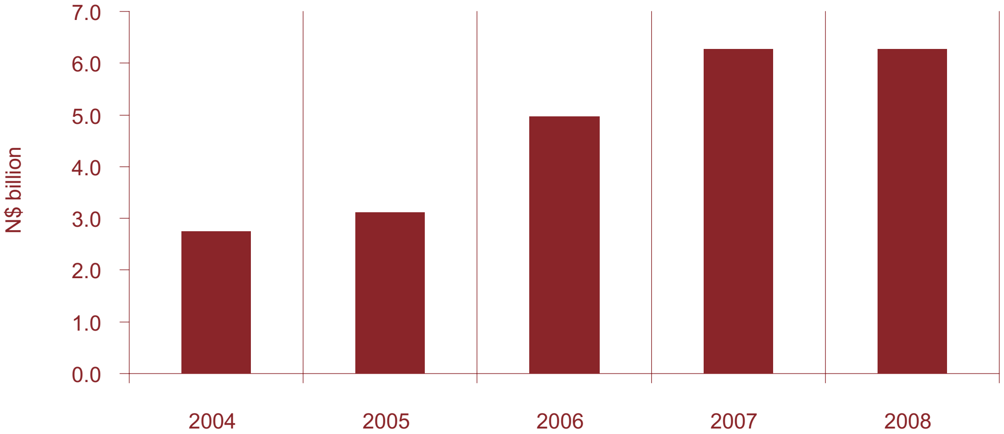
Chart C.32: Beef and weaner prices



Source: Meat Board of Namibia

Export values for the category manufactured products, which consists of processed fish, blister copper, refined zinc, textile and beverages, increased slightly by 0.1 percent in 2008 in comparison to 2007 to a total value of N$6.3 billion (see Chart C.33). This small increase was mainly driven by slow growth in other industrial minerals, coupled with the discontinued textile operations as well as the industrial unrest at the zinc refinery. On the other hand, the subcategories – processed fish and beer and soft drinks exports rose by 60.0 percent and 52.0, percent respectively, compared with the previous year.

Chart C.33: Manufactured products – Export value



Supported by robust demand from emerging market economies during the first half of 2008, the export value of ***copper*** increased relative to the preceding year. As a result of high demand and limited supply, the international copper price reached a record level of US$8,714 per tonne in April 2008. However, as a result of the slowdown in global economic activities, copper prices tumbled during the second half of the year, to reach a low of US$3,106 per tonne by the end of the year. Nevertheless, the total value of copper exports rose to N$892.0 million in 2008, from N$357.5 million recorded during the preceding year.

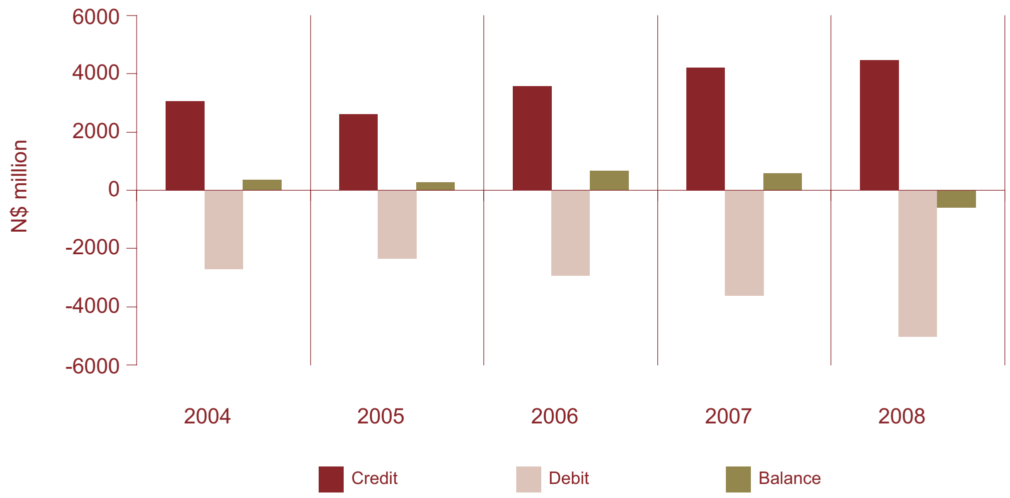
SERVICES TRADE BALANCE

Similar to the merchandise trade, international trade in services recorded an outflow during 2008. Other private and transportation services remained the main contributors to the net outflow in the sub-category.

During 2008, total export revenue of services registered an outflow of N$578 million from an inflow of N$599 million in 2007. This was attributed to increased outflows in transportation and other private services that rose to N$1.2 billion and N$1.6

billion from outflows of N$853 million and N$598 million, respectively during the preceding year. With regard to the import of services, the depreciation of the domestic currency against major international currencies caused a significant rise in expenses incurred. The import of other private services resulted mostly from services rendered to the new established companies in the mining sector. The services trade deficit widened as these two factors caused imports to increase by more than the value of exports (see Chart C.34). Consequently, the surplus of N$599 million on the services account that was registered in the previous year was reversed to a deficit during 2008.

Chart C.34: The services account



With the exception of transportation, international trade in services was mostly affected by the depreciation of the local currency against the major currencies, rather than by the international financial crisis. Thus, the impact of the crisis will only be felt with a lag of one to two years.

Table C.8: Major services (N$ million)

Major services	2004	2005	2006	2007	2008
Receipts					
Transportation	163	143	691	843	851
Travel	2,605	2,211	2,601	3,058	3,121
Other private services	163	122	154	180	355
Government	127	138	136	136	136
Expenses					
Transportation	-872	-829	-1,019	-1,696	-2,023
Travel	-790	-686	-806	-931	-933
Other private services	-984	-765	-1,040	-932	-2,026
Government	-59	-59	-59	-59	-59

During the year under review, ***tourism-related travel*** (leisure and business) improved by 2.9 percent, to a net revenue collected of N$2.2 billion from that received in 2007. Similarly, the tourism import bill rose by 0.2 percent to N$0.9 billion, while tourism receipts increased by 2.1 percent to N$3.1 billion in 2008, year-on-year (see Table C.8).

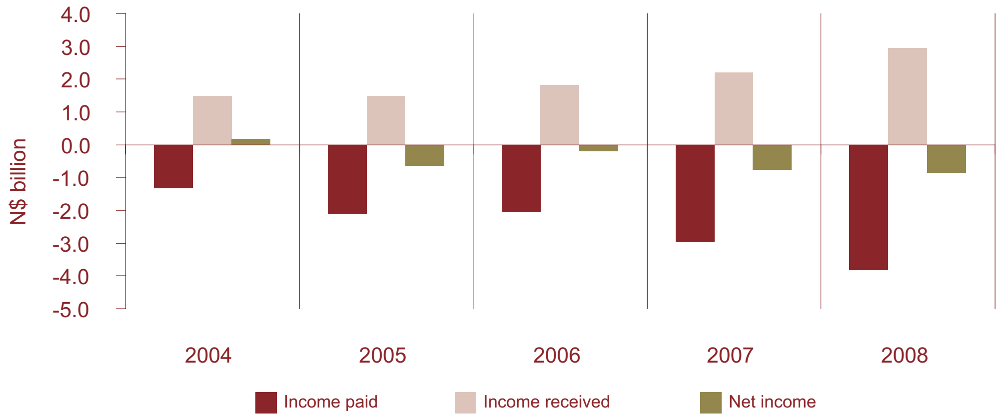
The ***transportation*** subcategory recorded an import bill of N$1.2 billion, a rise by 37.5 percent from the level in 2007. The expenses incurred are estimated to have risen by 19.3 percent compared with the preceding year, while that for receipts increased by only 1.0 percent to N$0.9 billion. The local economy renders limited transportation services to non-residents, while residents depend more on transportation services provided by non-resident agents. During 2008, the performance of transportation services was directly influenced by global increases in the cost of crude oil. The high and increasing cost of transportation was compounded by depreciation in the local currency, causing increased liabilities to non-resident agents.

The ***all others private services*** subcategory continued to record outflows, registered significant outflows of N$1.6 billion in 2008 in comparison with lower outflows of N$598 million in 2007. In comparison with 2007, the liabilities incurred in 2008 in relation to insurance services were estimated to have fallen by only 18.0 percent to N$0.2 billion. The performance in this category is partly due to the relative increased inflows of services coupled with the weak local currency during the second half of 2008.

INVESTMENT INCOME

Investment income derived from holding assets in debt instruments as well as in listed and unlisted equity was dominated by income paid to honour liabilities to non-resident shareholders (see Chart C.35). As a result, on a net basis, outflows rose to N$853 million from N$753 million in the preceding year.

Chart C.35: Net investment income

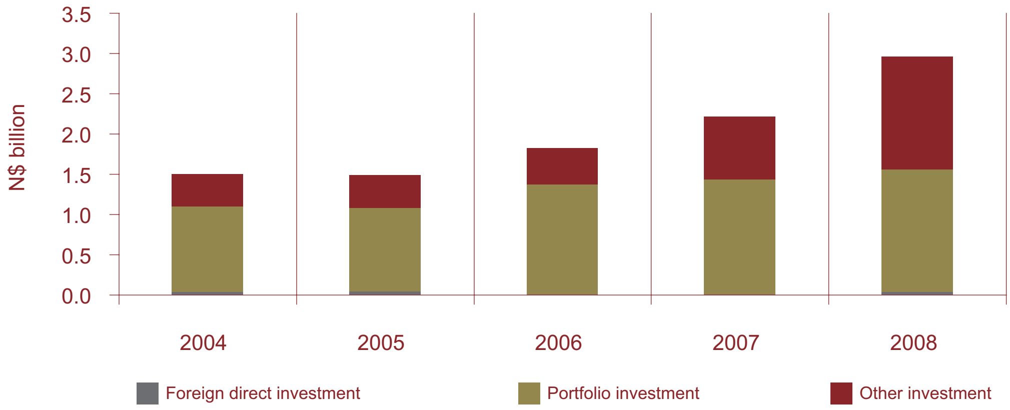


Investment income paid to foreign direct investors dominated all other types of payments, but remained almost unchanged since 2004 (see Chart C.36). This is a positive development, as most of the payments were on equity shares in sectors that have attracted significant interest from abroad, such as mining exploration.

Chart C.36: Investment income paid

Investment income received on assets held abroad continued to be dominated by investment holdings of listed equity. Investment income derived from unlisted equity continued to remain insignificant, as it had in the preceding eight years (see Chart C.37). Total investment income received rose sharply, year-on-year, in 2008 by 33.9 percent to N$3.0 billion. The sharp increase was observed in unlisted debt instruments, causing the category ***other long-term investment*** to rise by 81.2 percent to N$1.4 billion, while ***portfolio investment*** only rose by 5.8 percent in comparison with 2007.

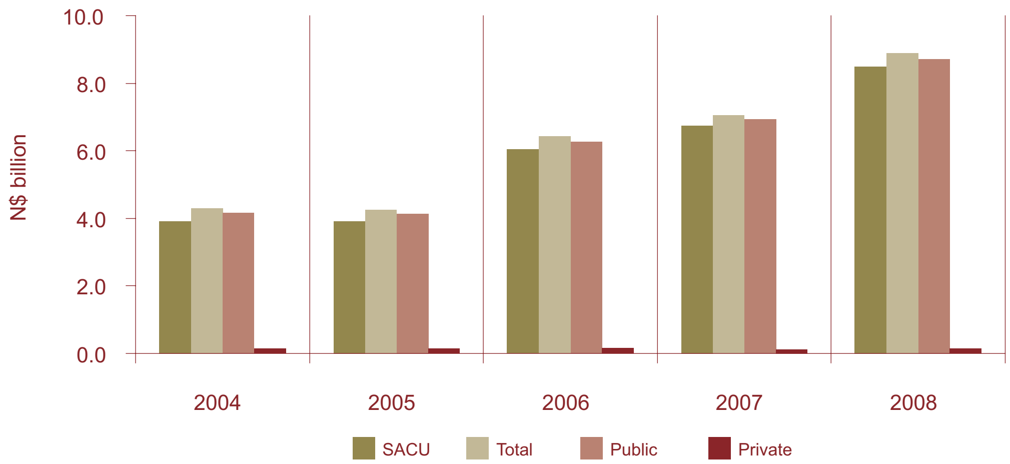
Chart C.37: Investment income received



CURRENT ACCOUNT TRANSFERS

Current account transfers increased by 25.4 percent in 2008 to N$8.8 billion from that recorded in the preceding year. This represents 12.5 percent of GDP and 70.2 percent of the stock of international reserves. Current transfers from SACU receipts registered N$8.5 billion, accounted for 96.2 percent of the total in 2008 (see Chart C.38).

Chart C.38: Current account transfers

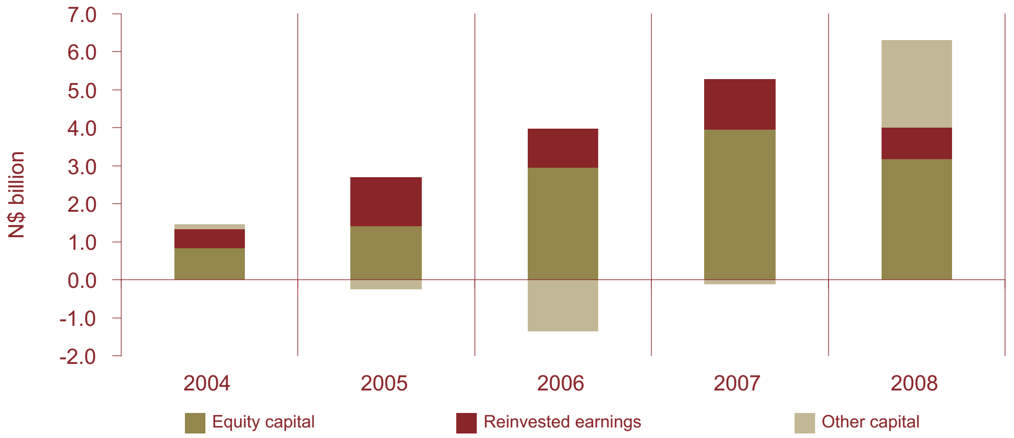


CAPITAL AND FINANCIAL ACCOUNTS

FOREIGN DIRECT INVESTMENT

Long-term direct investment remained firm in Namibia, despite the global credit crunch, which intensified during the course of 2008. Driven by loan disbursement inflows from related companies (***other capital***) and supported by reinvested earnings and equity, foreign direct investment rose by 34.5 percent from 2007 levels to N$6.9 billion (see Chart C.39).

Chart C.39: Foreign direct investment

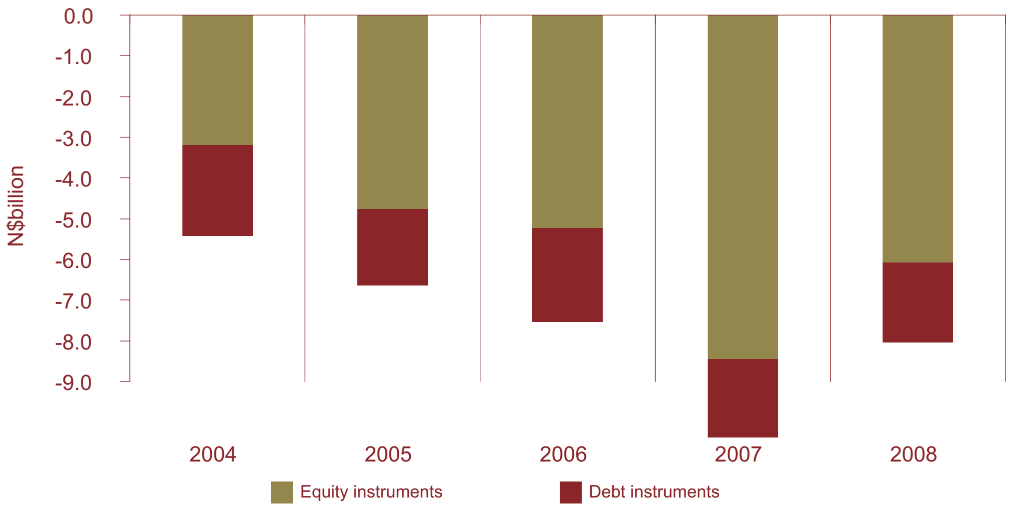


Although equity capital declined from the preceding year by 30.5 percent, investments in equity accounted for 39.6 percent of total foreign direct investment in 2008, compared with 22.6 percent and 37.9 percent, respectively, for the ***reinvested earnings*** and ***other capital*** subcategories. This represents a decline of 36.9 percentage points in the contribution for investment in equity, while that of reinvested earnings fell by 2.9 percentage points, both in comparison with the previous year's figures. On the other hand, ***other capital*** rose by 35.8 percent, from a negative contribution of 2.1 percent in the preceding year. This bears testimony to investors having opted to finance expanding investments through inter-company borrowing and ploughing back profits (reinvestment) rather than through new equity injection in 2008.

PORTFOLIO INVESTMENT

Stock markets worldwide were adversely impacted by the financial crisis, leading to investors' risk aversion towards listed equity. Asset management companies managing mostly pension and long-term insurance funds also had to treat cautiously when allocating funds into different types of assets. In this regard, investments in listed equity declined sharply in 2008 in relation to the record-high level in 2007 (see Chart C.40).

Chart C.40: Portfolio investment

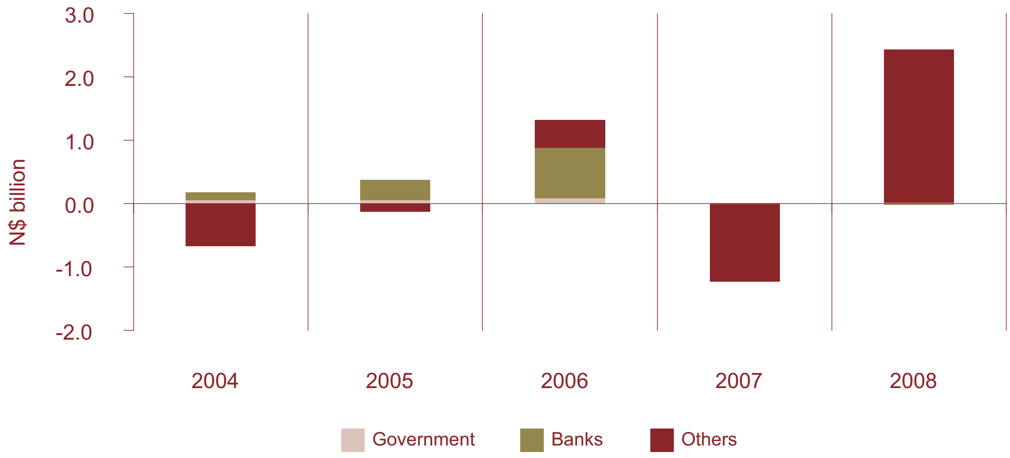


Although investments in debt instruments rose by 2.5 percent compared with 2007, the decline of 28.1 percent in the value of equity instruments caused an overall fall in portfolio investments net outflows. As a result, net portfolio outflows declined by 22.4 percent to N$8.0 billion in 2008.

OTHER TYPES OF INVESTMENTS

Other long-term investments, consisting mainly of loans extended between unrelated enterprises, reversed into a net inflow from a net outflow in 2007 (see Chart C.41). The transactions of the private sector – with banks and the non-banking sector referred to as ***others*** – dominated the outcome in net outflows of the category ***other long-term investments.***

Chart C.41: Other long-term investments



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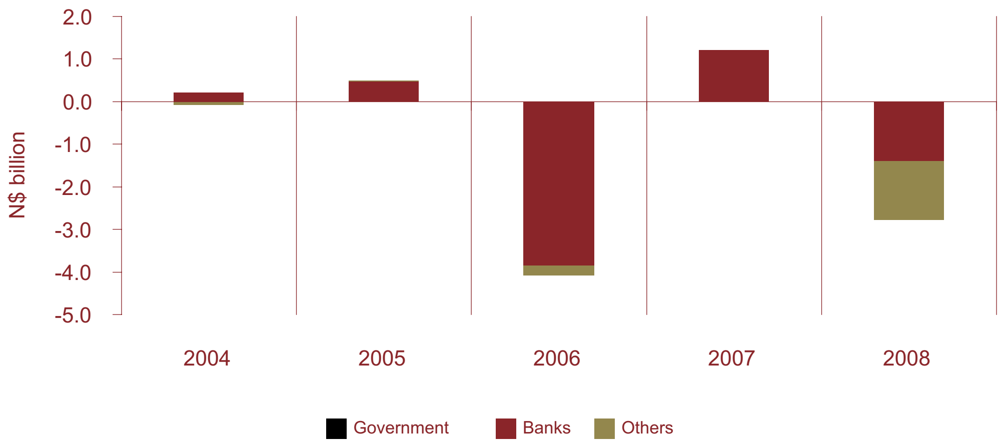
During 2008, other sectors received net inflows amounting to N$2.4 billion, representing an increase of N$3.6 billion from a net outflow of N$1.2 billion in the preceding year. The significant rise in net inflows for the private sector indicated that the expansion of investments was financed through long-term loan contracts between unrelated investors, and this seems to have been gaining momentum since 2006. With regard to Government, no transactions of statistical significance were witnessed during the course of the year.

Other short-term investments, consisting of loan contracts maturing within a year, were reversed from a net inflow into a net outflow (see Chart C.42). This category continues to be dominated by private sector transactions – again, with banks and the non-banking sector being referred to as ***others***. As in preceding years, short-term liquidity conditions in the domestic economy significantly influence these flows. A shortage always causes an inflow, while an excess of funds leads to an outflow. During the course of 2008, banking institutions reported a net outflow of N$1.4 billion from a net inflow of N$1.2 billion in the preceding year. Similarly, ***other sectors*** recorded a net outflow of N$1.4 billion from an insignificant net inflow in 2007.

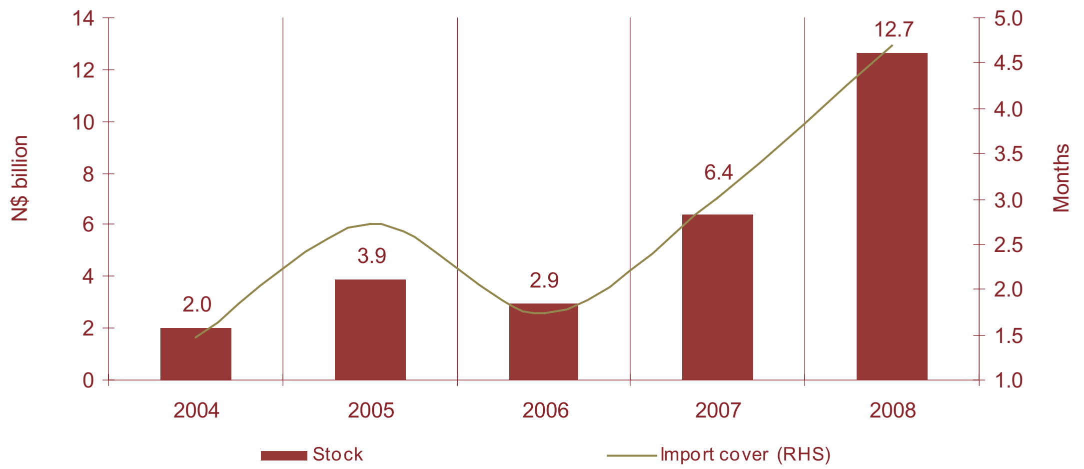
Chart C.42: Other short-term investments



Overall, the capital and financial account was characterised by a moderate rise in the category ***long-term and foreign direct investments*** and a slowdown in portfolio outflows. On the other hand, other investments were subjected to significant reversals, with net inflows realised in other long-term investments, as well as in other short-term investments. Thus, developments in the balance of payments expose sectors that are either resilient or susceptible to the global financial crisis. Most notably, the resilient sectors were tourism services and agriculture, while those directly affected were in transportation services and investments in listed instruments. To a certain degree, long-term investments in mining and fishing operations were also negatively affected through reduced demand for their products.

Due to the resilience shown by certain sectors against the crisis, the stock of international reserves rose sharply to N$12.7 billion by the end of 2008 in comparison with the level at the end of 2007 (see Chart C.43). This represents an overall balance of the balance of payments of N$6.3 billion for 2008, compared with N$4.1 billion for the preceding year. In terms of import cover, the stock represents 4.8 months of import coverage, compared with 3.0 months in 2007.

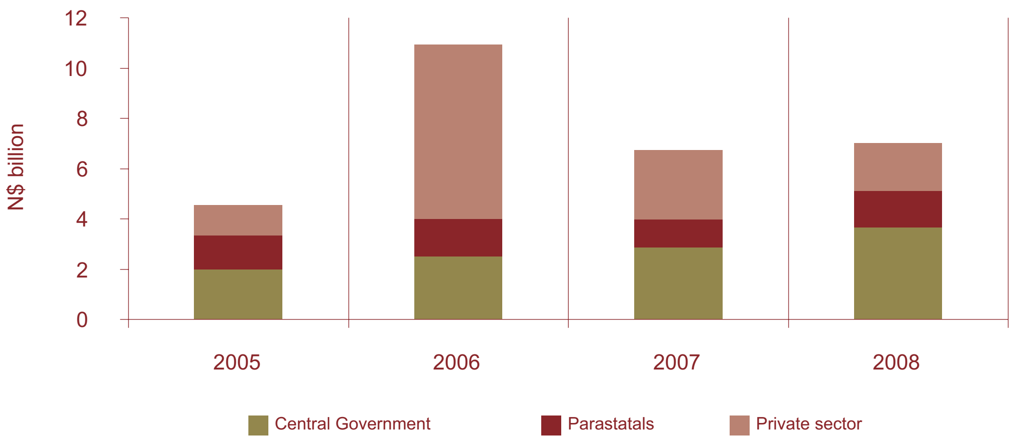
Chart C.43: Stock of international reserves



EXTERNAL DEBT

There were mixed developments in the outstanding stock of total foreign debt at the end of 2008. The Central Government and parastatals' foreign debt outstanding rose while that for private sector declined (see Chart C.44). This resulted in an increase of outstanding foreign debt stock, mainly due to the depreciation of the domestic currency against the major foreign currencies.

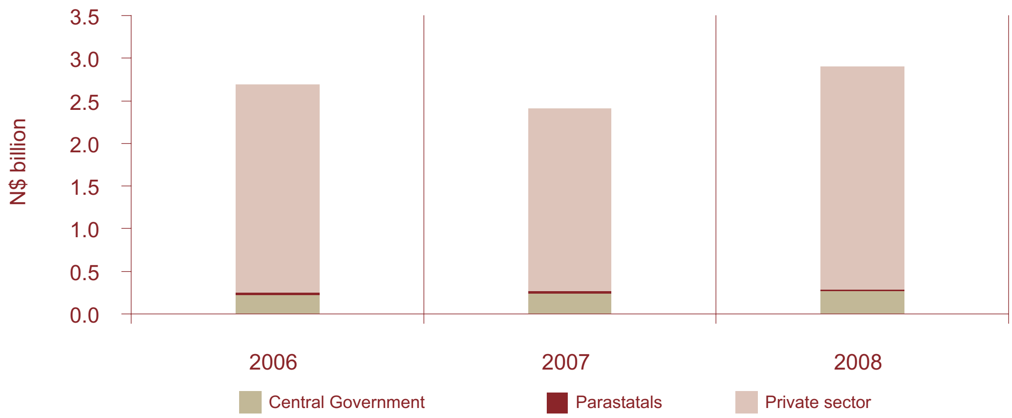
Chart C.44: External debt outstanding



The total stock of foreign debt outstanding at the end of 2008 stood at N$7.0 billion, up by 4.2 percent from the stock at the end of 2007. The outstanding stock at the end of 2008 consisted of 52.2 percent for Central Government, 26.9 percent for the private sector, and 20.9 percent for parastatals. At the end of 2007, the proportion of Central Government and parastatal foreign debt to total foreign debt outstanding was lower, at 42.6 percent and 16.4 percent, respectively, while that for the private sector was higher at 41.0 percent than the previous year.

Besides the increasing effect of the exchange rate depreciation on the outstanding stock of foreign debt, Central Government received disbursements from new loans contracted, leading to higher stock outstanding. The total debt outstanding for Central Government in 2008 stood at N$3.7 billion, up from N$2.9 billion at the end of 2007. On the other hand, private sector's outstanding external debt declined significantly by 31.8 percent to N$1.9 billion at the end of 2008. An increase in debt servicing for private sector led to a decline in private sector debt outstanding at the end of 2008.

Chart C.45: External debt servicing

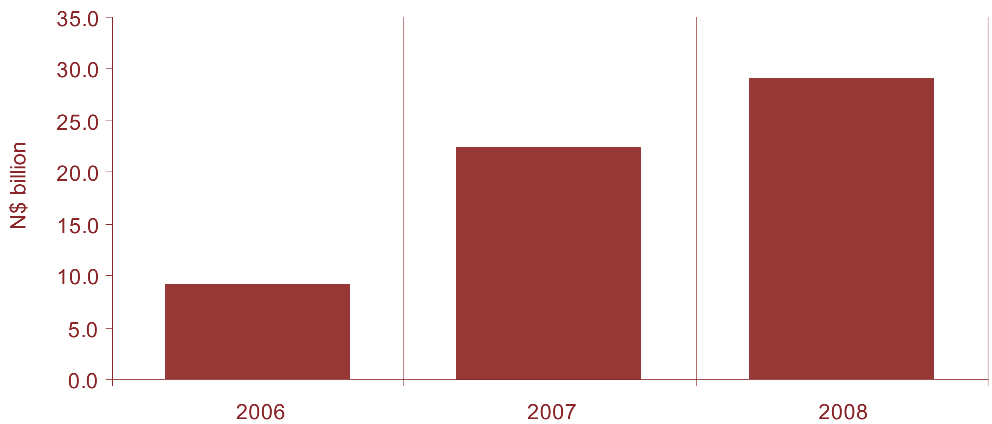


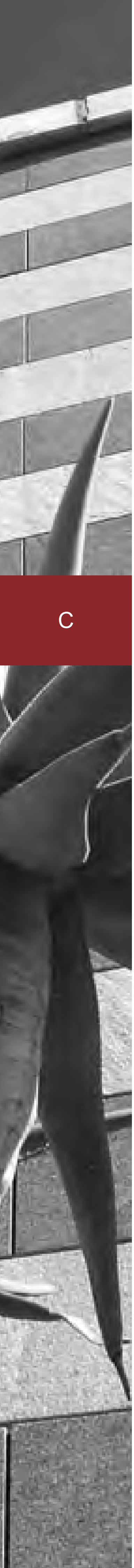
By the end of 2008, Central Government external debt servicing had increased in relation to 2007 by N$29.2 million, to register N$266.2 million (see Chart C.45). With regard to parastatals' increased debt stock outstanding for 2008, the main contributing factors were the rise in borrowings and the depreciation in the external value of the currency, causing the stock to rise by 33.2 percent to N$1.5 billion in comparison with the preceding year. Debt servicing for the private sector continued to constitute the largest share of total debt servicing. It rose by 90.1 percent, during the course of the year to N$ 2.6 billion from the levels recorded in 2007.

INTERNATIONAL INVESTMENT POSITION

Despite the impact of the massive fall on stock markets world wide, Namibia's net international investment position (IIP) was relatively less affected during 2008 (see Chart C.46). In this regard, a noticeable increased in the overall net asset position of the IIP of N$29.2 billion was recorded during 2008 from N$22.4 billion in 2007.

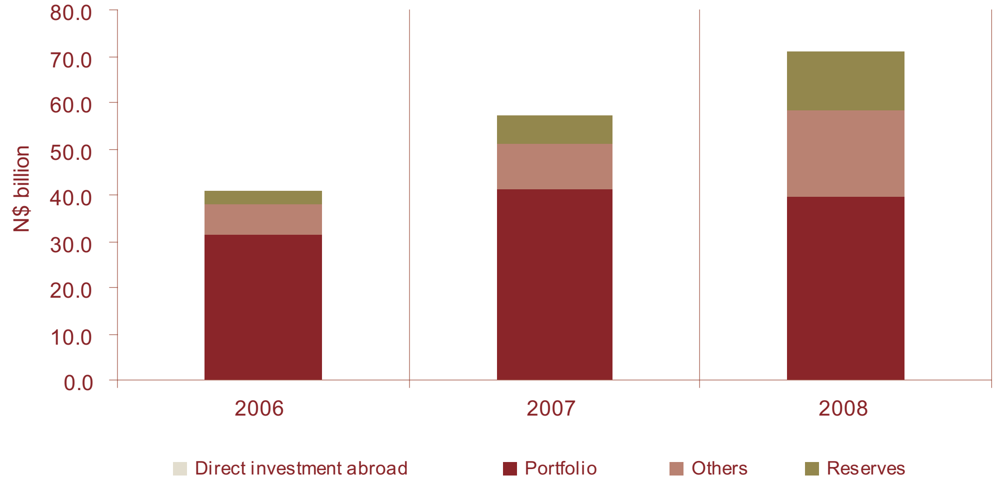
Chart C.46: Net international investment position





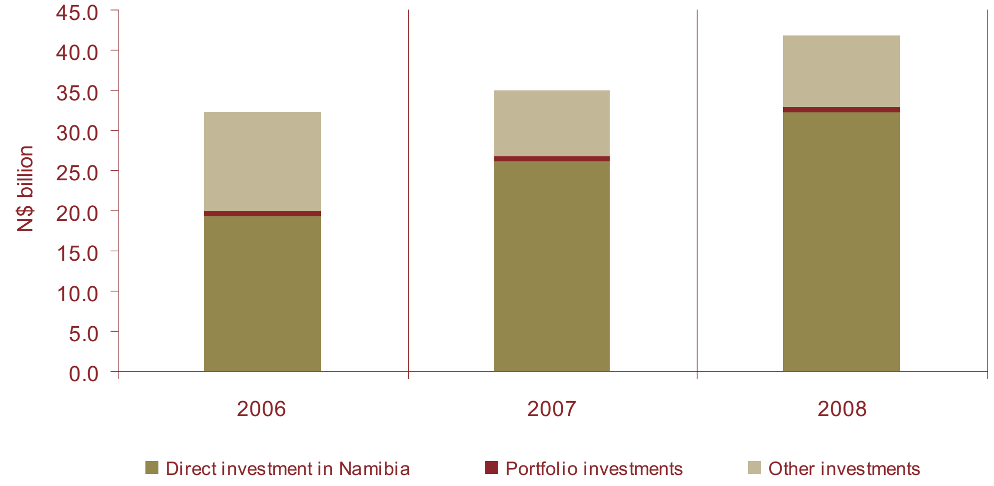
On the asset side, the impact of the financial crisis on portfolio investment instruments was overshadowed by high international reserves (see Chart C.47). The stock of international reserves rose significantly to N$12.7 billion in 2008 from N$6.4 billion in 2007. On the other hand, the stock of portfolio investments fell from N$41.0 billion in 2007 to N$39.6 billion at the end of 2008, while that of other investments increased from N$9.8 billion in 2007 to N$18.5 billion in 2008. The high SACU receipts contributed to the surge in the stock of reserves, while reduced earnings in equity listed on the JSE caused portfolio investments to decline.

Chart C.47: International investment position – Assets



On the liability side, foreign direct investments into Namibia continued to dominate portfolio and other types of investments (see Chart C.48). The increased stock of foreign direct investment augurs well as a sign of confidence in major sectors of the economy such as mining, fishing, tourism and agriculture. By the end of 2008, the stock of foreign direct investment had risen to N$32.3 billion, compared with N$26.2 billion registered in the preceding year.

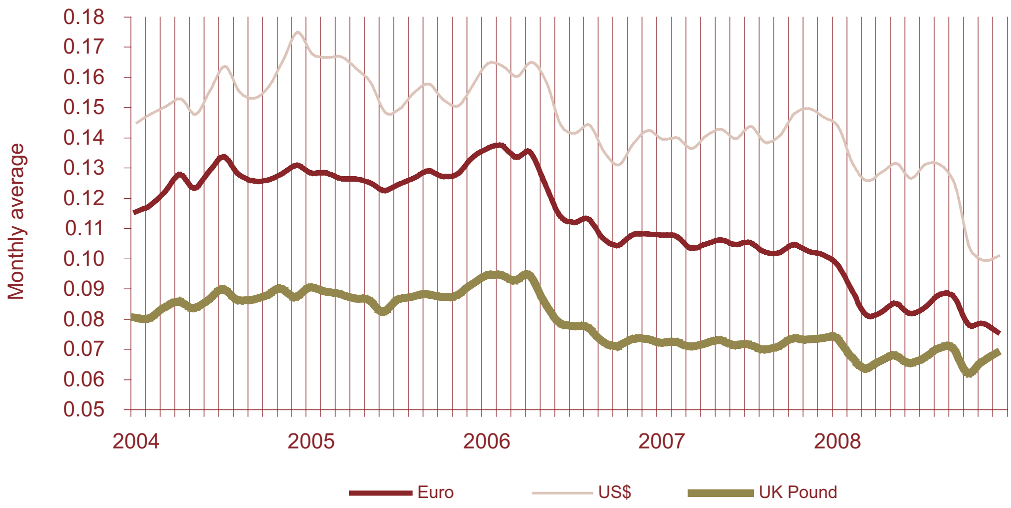
Chart C.48: International investment position – Liabilities



EXCHANGE RATE DEVELOPMENTS

The Namibia Dollar depreciated sharply against international currencies such as the US Dollar, Euro and Pound sterling during 2008 (see Chart C.49). Factors that contributed to the declined were not only limited to the international financial markets, but also developments in the CMA. The most notable factors were the decline in gold and platinum prices, the sharp fall in the growth of property prices, particularly in South Africa, and unrest in the labour market.

Chart C.49: Selected foreign currencies against the Namibia Dollar



Relative to the yearly average for 2007, the Namibia Dollar exchange rate against the Euro depreciated by 25.5 percent to trade at an average of 0.0771 Euro in 2008. The Namibia Dollar also rose against the US Dollar and Pound Sterling, by 19.3 percent and 14.6 percent, respectively, to trade at yearly averages of 0.1144 per US Dollars and 0.0606 per Pound Sterling.

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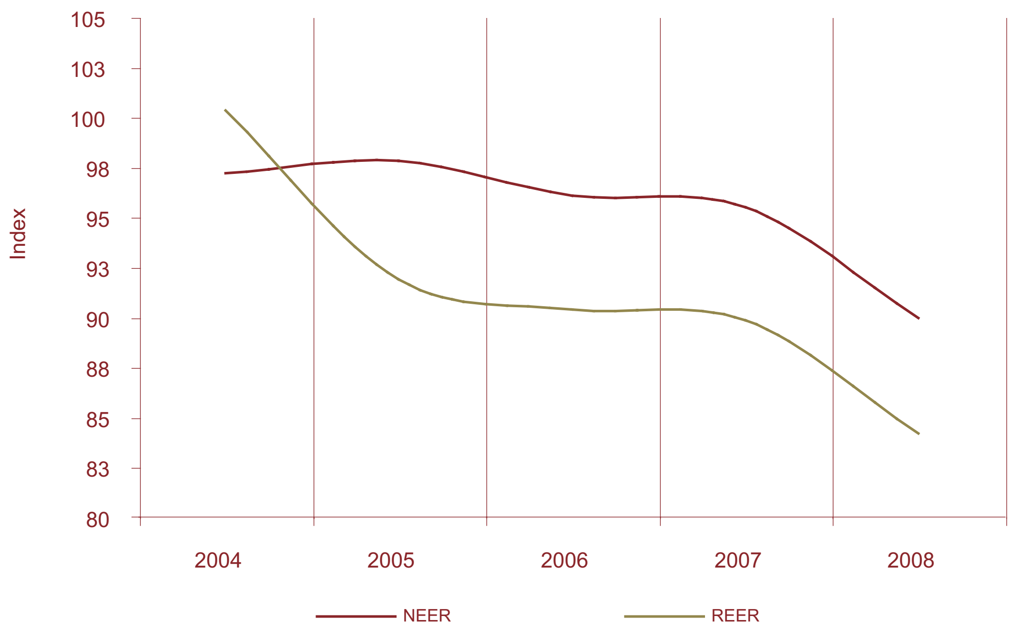
TRADE-WEIGHTED INDEX

Similarly, the trade-weighted effective exchange rate index (the nominal and real effective exchange rate index) depreciated in 2008, compared with the preceding year (see Chart C.50). The nominal effective exchange rate (NEER) index[10] declined to 90.2 in 2008, from 95.5 in 2007. This represents a depreciation of 5.5 percent.

Chart C.50: Trade-weighted effective exchange rate indices[11]

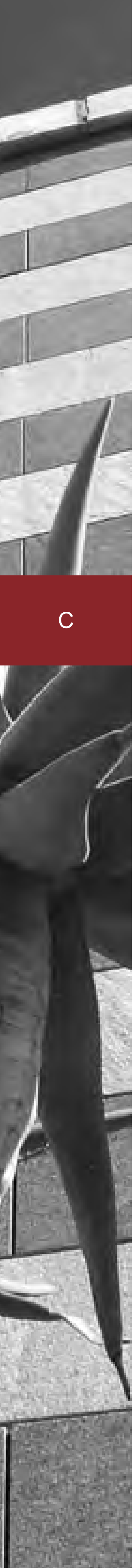


The real effective exchange rate (REER) index[12] declined to 84.4 in 2008, from 89.8 in 2007. This represents a depreciation in real terms of 6.1 percent, and is an approximate measure of the extent to which certain exported merchandise products, especially those sold on unregulated international markets, gained competitiveness.

[10] The NEER index is a trade-weighted index of the bilateral nominal exchange rate of the Namibia Dollar against the currencies of six major trading economies namely the Euro, Pound Sterling, Rand, US Dollar, Yen and Peseta.

[11] The base period is 1995

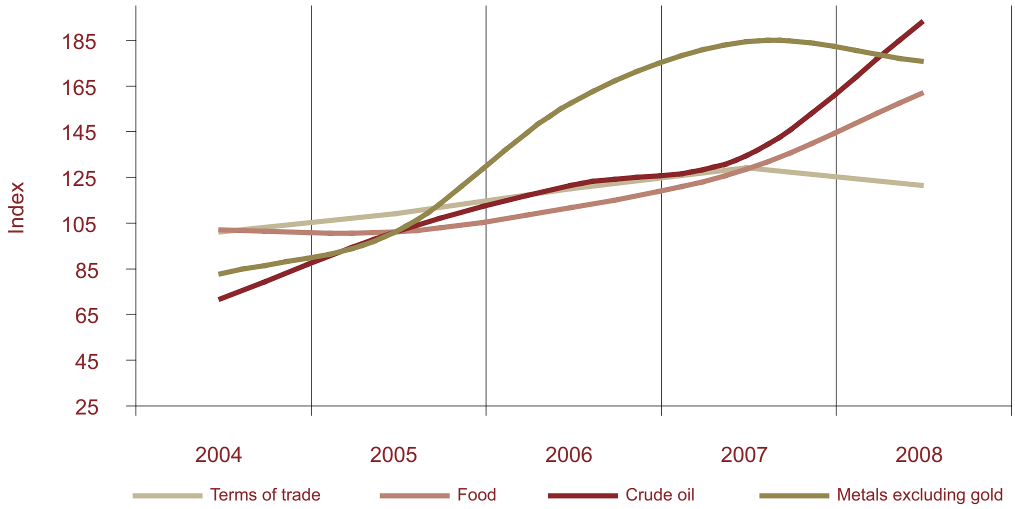
[12] The REER index is the deflation of the NEER with the relative consumer price indices, that is, the ratios of Namibia's CPI and that of the six aforementioned major trading economies.



TERMS OF TRADE

Affected by the sharp fall in international mineral prices, especially during the second half of 2008, the terms of trade for Namibia worsened in relation to the preceding year (see Chart C.51). The terms of trade were also negatively impacted by the depreciation of the currency, which compounded the increased import bill due to high food and fuel prices. During 2008, food and oil price indices were up by 33.3 percent and 43.6 percent, to 160 and 191, respectively in relation to levels witnessed in 2007. On the other hand, the metal price index fell by 5.4 percent from 2007 levels to 175 in 2008.

Chart C.51: Price indices



Source: Central Bureau of Statistics for terms of trade (2004 = 100) and the IMF for the rest (2005 = 100)

In light of the above-mentioned developments in the terms of trade, mineral-exporting sectors of the economy were negatively affected by low prices. On the other hand, the depreciation of the local currency, especially in the second half, together with the relatively high prices for food and crude oil, increased the expenses for importing sectors. As a result, the Namibian economy lost 5.5 percent of its competitiveness in 2008 relative to the preceding year, dropping to an index of 120.

MONETARY AND FINANCIAL MARKET DEVELOPMENTS

Notwithstanding rising inflation, the Bank of Namibia decided to keep its lead policy rate – the repo rate – unchanged for the most part of 2008. This was mainly informed by the fact that the conduct of monetary policy should be forward-looking, and that there was no imminent threat to the sustenance of the currency peg to the South African Rand, the key anchor for price stability in Namibia. In fact, during 2008, the country's international reserves reached an all-time high, and on average were in excess of seven times the amount of currency in circulation – the main criterion for sustaining the peg. Moreover, there were no visible signs of excessive capital outflows that could put pressure on the currency peg in the context of a free flow of capital within the CMA. In addition, encouraging signs suggested that inflationary pressures from domestic sources were firmly under control. In this connection, indicators of growth in domestic demand, such as credit extension by the banking sector to the private sector and motor vehicle sales, slowed in direct response to monetary policy tightening. Credit extension to the private sector in particular contracted in real terms towards the end of the year under review. Internationally, the sharp decline in commodity prices during the last half of the year, including in oil and food prices, offered some comfort for the outlook in respect of inflationary pressures emanating from exogenous factors. Nevertheless, the outlook for inflation remains somewhat uncertain, with potential upside risks from volatile oil prices and a weakening currency.

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MONETARY AND CREDIT AGGREGATES

During 2008, developments in monetary and credit aggregates in Namibia were characterised by a subdued growth in credit extension to the private sector, which caused a sharp expansion in net foreign assets in the banking system. These developments were partly influenced by ample liquidity in the banking system and a rather restrictive monetary policy stance, although there were no further increases in the repo rate during 2008.

MONEY SUPPLY

Notwithstanding an environment of relatively high interest rates, growth in the broadly defined money supply (M2) strengthened significantly during 2008. Over 12 months, M2 growth accelerated from 10.1 percent at the end of 2007 to 17.9 percent at the end of 2008. Growth over 12 months in the narrower monetary aggregates (M1) was also strong, and generally resembled that in M2. However, currency in circulation – the most liquid form of money – increased exceptionally strongly over the past 12 months, namely by 39.0 percent. Transferable or demand deposits increased by 26.2 percent over the 12-month period, while longer-term deposits increased by 4.9 percent year-on-year (see Table C.9). The surge currency in circulation is essentially explained by factors such as high inflation, vigorous cash-based trade with Angola, and reduced circulation of the South African Rand in Namibia.

Table C.9: Growth in monetary aggregates (% change over 12 months)

Monetary aggregates	2006	2007	2008
Currency in circulation	12.3	7.5	39.0
Transferable deposits	42.0	7.0	26.2
Narrow money (M1)	40.1	6.8	26.9
Other deposits	21.6	15.1	4.9
Broad money (M2)	32.0	10.1	17.9

The strong growth in M2 was mainly concentrated in corporate sector deposits, rather than deposits in the household sector. On the other hand, deposits by other financial corporations and public non-finance corporations contracted somewhat over the 12-month period. Deposit holdings by the State and local Government also declined, in line with Government's decision to keep most of its money balances deposited at the Bank of Namibia. During the 12-month review period, the total deposits for the corporate sector increased by 26.7 percent, compared with 8.4 percent in the preceding year. This reflects the relatively healthy balance sheet positions of many export-oriented companies, such as those in the mining sector, despite some weaknesses observed in the last quarter of the year in response to benign global demand resulting from the international financial crisis. Growth in deposits for the household sector rose to 35.6 percent, from a decline of 3.5 percent in 2007. This growth, mainly from transferable deposits, reflects the public's preference for liquidity in the light of declining disposable income due to rising inflation during the year under review.

Chart C.52: Holdings by institutional sectors

DETERMINANTS OF MONEY SUPPLY

Mainly responsible for the increase in M2 over the 12-month period were net foreign assets in the banking system. These expanded significantly, i.e. by 82.1 percent, compared with 54.0 percent the preceding year. This sharp increase is largely attributed to excess liquidity resulting from healthy corporate balance sheets and high Government deposits, a large part of which emanated from SACU receipts. Consequently, the increase in net foreign assets contributed 24.7 percent to the total change in M2 during the 12-month period. Claims on the private sector – to the tune of 17.0 percent – also contributed positively to the overall increase in broad money supply, while the ***Other items net*** category exerted a contractionary impact on money supply. For the year, credit extended to the private sector increased by 13.0 percent, while ***Other items net*** contracted by 27.7 percent.

Table C.10: Determinants of money supply (N$ billion)

Determinant of money supply	2007	2008	Annual percentage change	Contribu-tion to change in M2
Net domestic credit	1,694.6	1,842.9	6.1	7.4
Claims on the private sector	4,071.7	4,222.1	13.0	17.0
Net claims on the Central Government	-2,377.2	-2,379.2	105.1	-9.6
Net foreign assets in the banking system	2,617.2	6,122.5	82.1	24.7
Other items net	-2,043.8	-3530.8	-27.7	-14.2
Broad money supply (M2)	2,268.0	4,434.6	17.9	17.9

CREDIT EXTENSION

The net domestic credit extension of depository corporations rose by 6.1 percent in 2008, compared with a growth of 6.0 percent in 2007. This development is mainly attributed to net claims on the Central Government, which expanded by 105.1 percent during the year under review. The fact that Government has become a net creditor to the banking system reflects the State's healthy fiscal position over the past three years as a result of revenue over performance and some expenditure restraint. However, looking ahead, there are looming challenges for fiscal policy in the near term. These result from slower growth in the real economy, and are associated with slower world output due to the international liquidity crunch. The current situation could, therefore, be reversed in 2009, should Government decide to borrow more domestically to finance urgent developmental expenditure. This, in turn, could be a positive development for the financial sector, which has been starved of safe and good-quality investment papers in the past two years. The shortage of prescribed investment instruments has necessitated the Bank of Namibia to issue its paper to mop up excess liquidity and enable banking institutions to meet statutory liquidity obligations.

Total claims on other sectors of the economy, excluding Central Government, increased by 13.0 percent during 2008, compared with 14.4 percent the preceding year. Outstanding claims on other sectors are dominated by claims on the private sector, i.e. claims on private corporations and households amounted to N$33.3 billion at the end of 2008, or 46.8 percent of GDP. These figures compare quite favourably with those for sub-Saharan Africa, excluding South Africa, and represent a growth of N$3.4 billion, or 11.3 percent, over the figure registered at the end of 2007. The second-largest category of borrowers is that of other financial corporations, i.e. pension funds, insurance companies, etc., which had outstanding claims of N$2.6 billion at the end of 2008 – an increase of 11.0 percent over the previous year. Claims on public non-financial corporations (parastatals) and State and local Government increased by a whopping 183.8 percent and 82.8 percent, respectively, during 2008. However, in terms of their total contribution to total outstanding claims, both of the latter categories are relatively small at N$655.1 million and N$82.3 million, respectively (see Table C.11).

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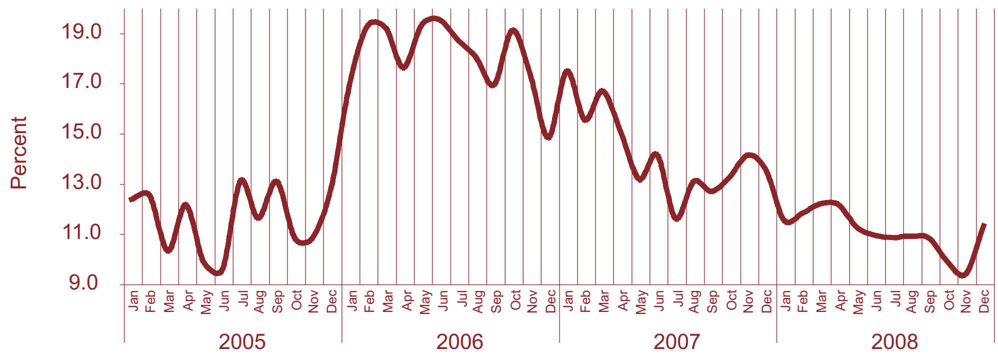
Table C.11: Credit extension

Institutional Sectors	2007	2008	Percentage change
Claims on Central Government	2,981.3	2,631.8	-11.7
Claims on other sectors	32,355.9	36,578.0	13.0
Claims on other financial corporations	2,321.6	2,576.2	11.0
Claims on public non-financial corporations	230.9	655.1	183.8
Claims on State and local Government	45.0	82.3	82.8
Claims on the private sector	29,782.3	33,163.4	11.4

In line with tight monetary conditions and a reduction in total disposable income in an environment of high inflation, growth in total claims on the private sector by banking institutions decelerated further to 11.4 percent in 2008, from 13.5 percent in 2007 (see Chart C.53). In real terms, therefore, private sector credit extension has declined, which has partly suppressed the country's growth prospects.

Chart C.53: Total loans and advances to the private sector (percentage change over 12 months)



The deceleration in private sector credit growth was noticeable in credit extended to both households and corporations which, respectively, slowed to 10.2 percent and 12.4 percent by the end of December 2008. As can be seen from Chart C.54, households' response to tighter monetary conditions has been faster than that of corporations. Moreover, outstanding claims in respect of households at the end of December 2008 were about N$21.9 billion, or two thirds of total private sector claims. This does not suggest that corporations are not sensitive to interest rate changes, but merely that the transmission channel of monetary policy could affect corporations slightly differently than it did households. For instance, relative to households, cash-rich firms will receive a higher interest rate on funds deposited with banks or placed in the money markets, thus improving their cash flow. Other firms may be less affected by the direct impact of short-term interest changes, because they have minimal short-term borrowing and/or liquid assets, or because their short-term liquid assets and liabilities are roughly matched; hence, changes in the level of short rates leave their cash flow largely unaffected.

Chart C.54: Claims on households and corporations (percentage change over 12 months)

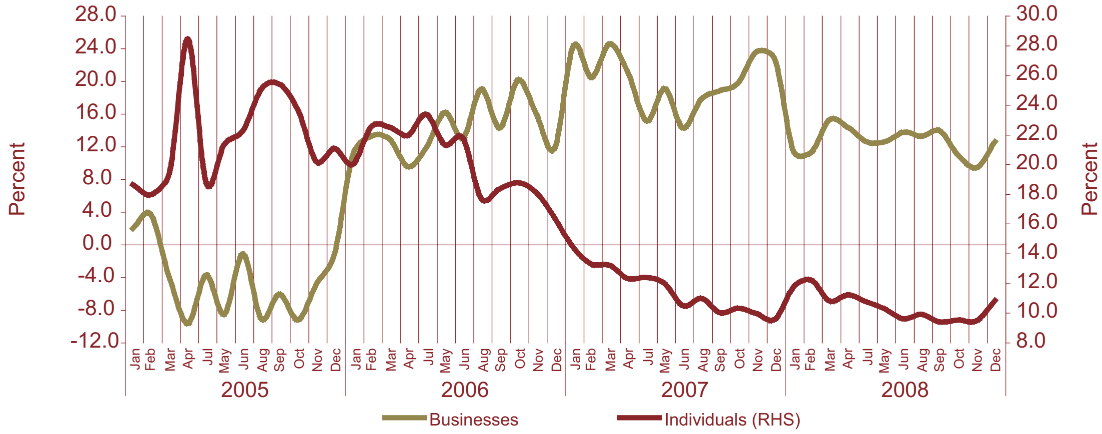
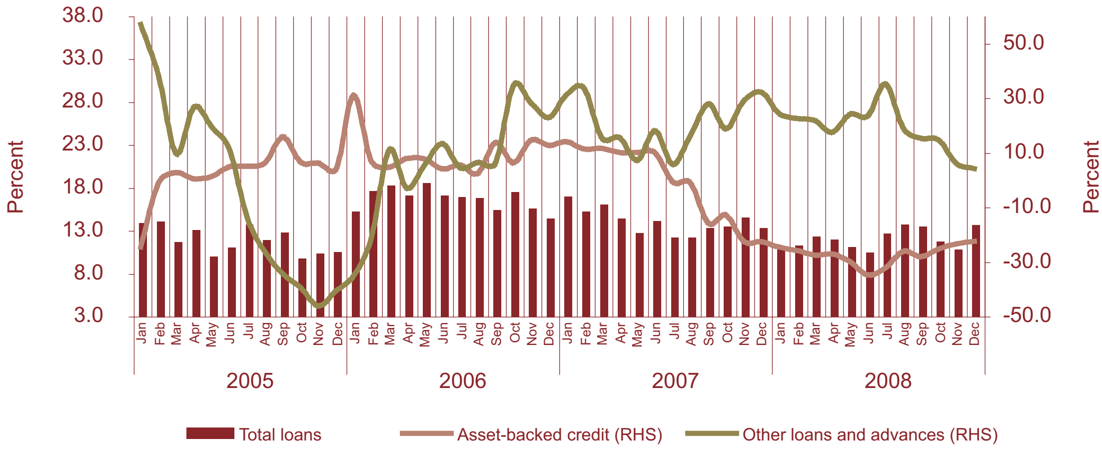


Chart C.55: Asset-backed credit and other loans and advances (percentage change over 12 months)



At N$22.2 billion, asset-backed credit (mortgages and vehicles sales) accounted for 65.0 percent of total loans and advances outstanding at the end of 2008. This represents a growth of 11.6 percent over the amount outstanding at the end of the previous year. Other loans and advances, mainly overdrafts, constituted the remainder. The rather weak performance of asset-backed credit is mainly attributed to mortgage advances, which remains the largest component of private sector credit, and represents 76.9 percent of total asset-backed credit and 50.0 percent of total loans and advances, respectively. During 2008, growth in mortgage credit slowed significantly to 12.2 percent, from the 14.2 percent witnessed in 2007. This can be attributed to a decline in disposable income as a result of tight monetary policy and a general increase in the price level. Growth of other loans and advances fell to 3.6 percent, from 31.5 percent the preceding year. Table C.12 reflects the contribution to the overall increase in total loans and advances by type of credit.

Table C.12: Credit aggregates

Component	December 2007	December 2008	Percentage change
Asset-backed credit	19,919.0	22,222.0	11.6
Instalment sales	4,684.9	5,129.2	9.5
Mortgage and advances	15,234.2	17,092.8	12.2
Other loans and advances	3,613.0	3,742.0	3.6
Total loans and advances	30,084.4	34,214.7	13.7

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Bank loans and advances are shown by economic sector in Table C.13. As can be seen, the strongest growth during 2008 was recorded in the extension of credit to the manufacturing, construction, and agricultural sectors of the economy. The fisheries sector also recorded a respectable growth rate of 20.4 percent in respect of credit extended to it, while credit extended to the mining sector increased by about 10.2 percent during 2008.

Table C.13: Bank loans and advances, by economic sector

Component	December 2007	December 2008	Percentage change
Agriculture	989.5	1,272.8	28.6
Mining	559.4	616.7	10.2
Fisheries	675.1	812.5	20.4
Construction	374.1	486.0	29.9
Manufacturing	467.3	788.2	68.7
Commercial and services	9,143.9	9,300.9	1.7
Other resident sectors	17,184.2	18,277.8	6.4

NET FOREIGN ASSETS

Net foreign assets for the banking system increased to N$13.6 billion at the end of 2008, mainly on account of a significant increase in the Bank of Namibia's foreign assets and the commercial banks' general excess in liquidity. During the year under review, the Bank of Namibia's net foreign assets increased by 89.1 percent, mainly on account of improved foreign exchange reserves. The net foreign assets of commercial banks increased by 1.2 percent, compared with the decline of 57.3 percent at the end of 2007.

BANKING SYSTEM LIQUIDITY

The Namibian banking industry experienced excess liquidity throughout 2008. The main reason for this excess liquidity was the relatively high Government spending during 2008, and the fact that the government only issued a few debt securities during the year, despite increased demand. Issuing Government securities usually helps mop up excess liquidity in the market. As a result of a shortage of securities in the market, significant funds were kept in cash, which led to an increase in excess liquidity for banking institutions.

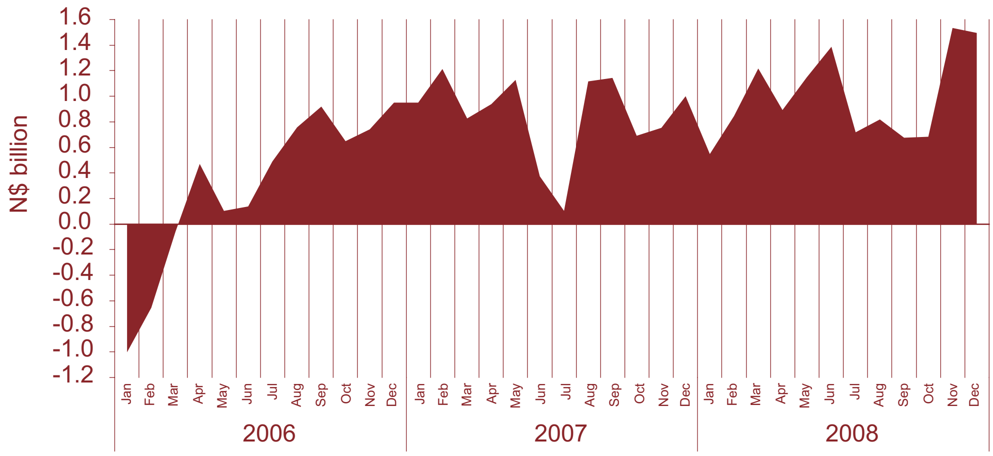
The two notable periods during which the overall liquidity position of the Namibian banking industry was higher were in the middle of the year and at the end (see Chart C.56). The average liquidity position in January 2008 was at N$550 million, but it increased to N$1.39 billion in mid-year. The liquidity position is usually relatively lower during January after the December tax payments. During the first half of the year, the balance on the IRSR account held with domestic banking institutions was higher at an average of about N$800 million between January and June. As the N$582 million GC08 redemption date loomed, banks began to keep their funds on call accounts for immediate access. The GC08 is a government bond that matured on 15 July 2008. This, among other factors, largely explains the excess liquidity observed in the first half of the year.

The overall liquidity position dropped between July and October, after which it hit the highest levels ever recorded since Namibia's independence, namely N$2.3 billion on 19 November. The average of N$1.53 billion registered for November was also the highest monthly figure on record. The main reason for the higher liquidity levels in the last quarter was that the Namibia Dollar had been falling significantly against the US Dollar, prompting exporters to sell their foreign exchange holdings for the local currency.

The Namibia Dollar weakened against the US Dollar, from a low of just above USD/NAD8.00 on 1 October 2008 to a high of USD/NAD11.3755 on 22 October. The USD/NAD exchange rate stayed above 9.500 throughout November.

Most exporters are allowed to maintain Customer Foreign Currency accounts with banks. They are also permitted to keep their foreign export proceeds on these accounts for three months before selling the proceeds for local currency. Exporters usually sell the balances on these accounts when the exchange rate is favourable; this is also what happened during the last quarter of 2008. In addition, banking institutions usually keep cash funds, particularly in the last two months of the year, to make provision for tax payments for big companies at the end of the year. Furthermore, relatively higher Government spending recorded in the final quarter of 2008 also contributed to the overall liquidity position observed over that period.

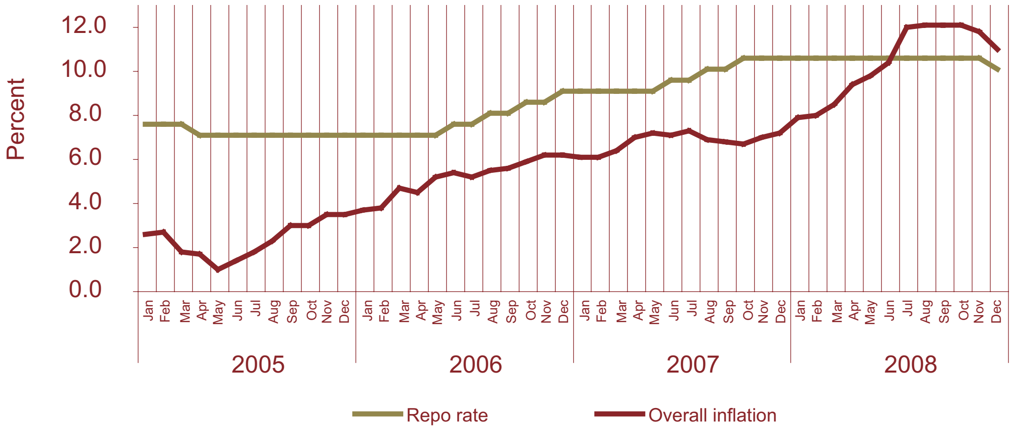
Chart C.56: Overall liquidity of the banking industry



MONEY MARKET DEVELOPMENTS

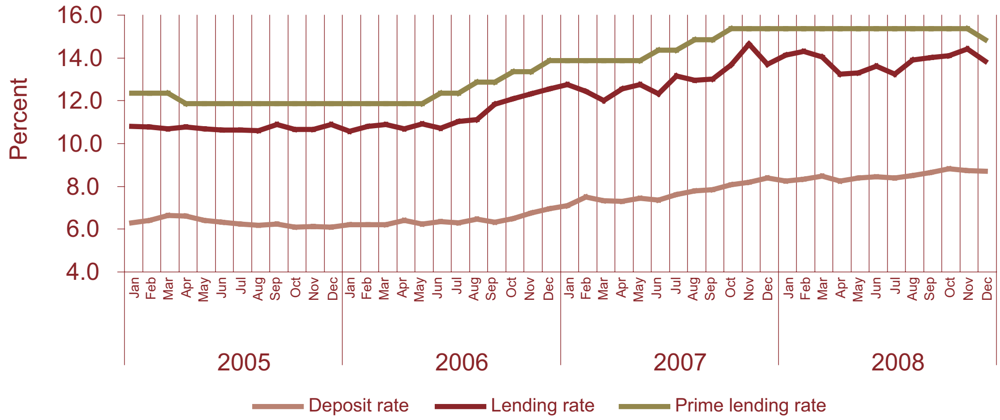
Due to an improved inflation outlook and the adequacy of international reserve holdings, the Bank of Namibia reduced its key policy rate – the repo rate – to 10.0 percent in December 2008 (see Chart C.57).

Chart C.57: Bank of Namibia repo rate and overall inflation



In line with the changed monetary policy stance, commercial banks' prime lending rate fell to 14.75 percent, from 15.25 percent the year before. Moreover, the average nominal lending rates moved sidewards (see Chart C.58), albeit not on a one-on-one basis, indicating that economic agents do indeed react to changes in the Bank's lead policy rate. In addition, the slight variation in the average lending rate during the period under review is as expected, since it reflects changing liquidity situations during the year, amongst other things, especially on the corporate side. It is encouraging to note that there was a slight upward movement in nominal deposit rates, which led to a small reduction in the spread between lending and deposit rates, therefore implying some efficiency gains. Nevertheless, by international standards, the spread between lending and deposits rates in Namibia remains quite high, suggesting further scope for efficiency gains.

Chart C.58: Lending and deposit rates



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BOND MARKET DEVELOPMENT

GOVERNMENT BOND YIELDS

The yields for the Namibian Government bonds were noticeably trending upwards in the first half of 2008 in a view of expected interest rate hikes due to the deterioration in the inflation outlook. However, the trend changed in the second half of 2008 as market views shifted somewhat to expectations of a rate reduction as worsening global economic developments contributed to downward inflation pressures worldwide. The shorter-dated bond yields – the most sensitive to interest rate expectations – rose the most, with the GC10 and GC12 reaching the highest levels of 12.00 percent in May.

Developments on the South African bond market were largely responsible for the movements in the local market, since Namibian bonds are priced off the South African yield curve. South African bond yield trended lower particularly in the second half of 2008 as traders remained concerned that the deepening losses at the world's biggest banks and securities firms would hurt global economic growth.

However, the bond prices gained sharply, particularly in the last quarter of 2008, after the market began pricing in the possibility of interest rate declines, as both consumer price inflation and producer price inflation started to slow. The yield on the GC12, a shorter-dated bond, eased to 8.35 percent in December 2008, from 10.91 percent in May. With the exception of the GC10, the yields for other bonds also ended the year significantly lower, below 8.50 percent (see Chart C.59). In contrast, the yields on the GC10, which matures in January 2010, increased significantly after November 2008, as the market began pricing this bond off the money market. The money market rates were significantly higher than the bond yields, particularly in the last quarter of the year.

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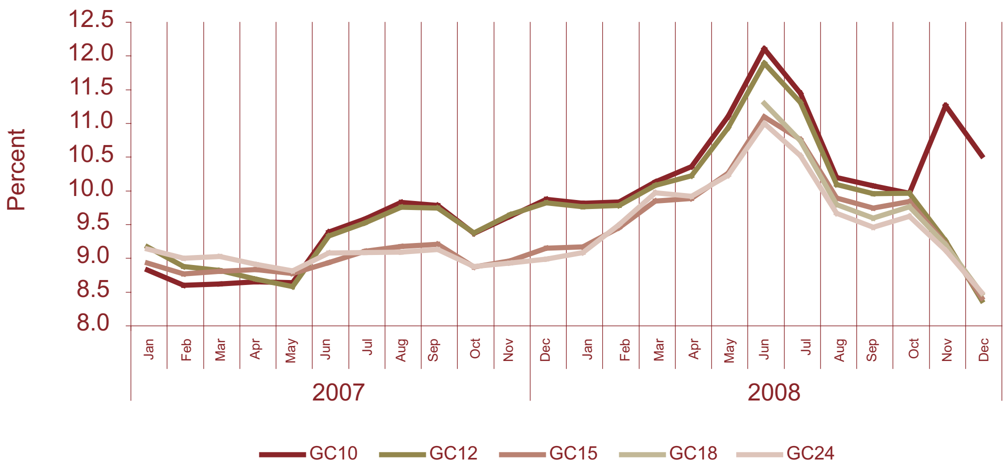
Chart C.59: Namibian Government bond yields



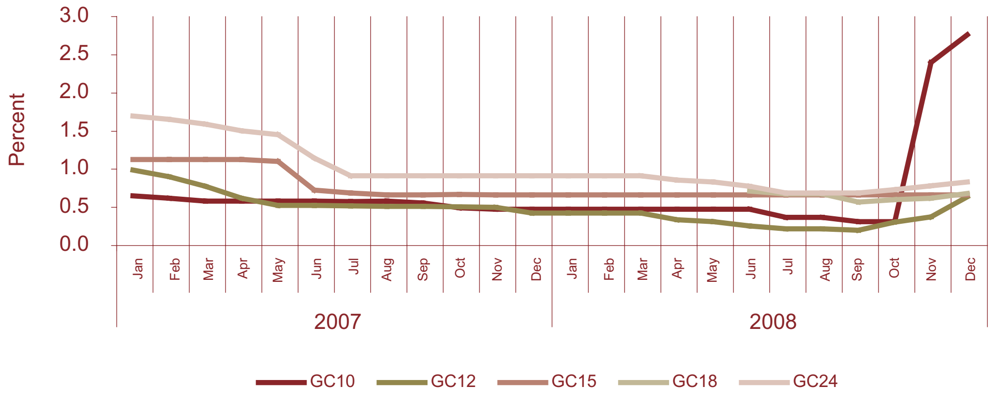
Source: NSX

YIELD SPREADS

The spread between Namibian Government bond yields and their South African equivalents continued to decline in 2008 (see Chart C.60). The spread on the shorter-dated bonds, the GC10 and the GC12, were relatively narrower compared with their longer-dated counterparts. However, the spread on the GC15 was stable throughout 2008, with very thin trading of the bond throughout the year.

Towards the end of the year, the benchmark bond yields declined significantly in comparison with those of Namibian bonds. Hence, there was a wider spread between the Namibian and the benchmark bond yields in the last quarter of 2008. The spread on the GC10 was particularly wide, as the yield on this bond increased significantly in November and December, while the yields on its benchmark fell.

Chart C.60: Spread between Government bonds and benchmark bonds



Source: NSX

SECONDARY MARKET TRADING FOR GOVERNMENT BONDS

Secondary market trading for Government bonds was relatively thin during 2008, compared with 2007, i.e. only N$626.6 million in Government bonds traded during 2008, compared with N$1.1 billion in 2007. About two thirds – namely N$399.3 million – of the secondary market trades for Government bonds took place on the NSX; the remainder were traded over the counter. Secondary market trades were also thinner despite the total debt outstanding in Government bonds being higher in 2008 in relation to 2007. Close to N$6 billion in Government bonds was outstanding at the end of December 2008, compared with N$5.8 billion at the end of 2007 (see Chart C.61). Poor trading in the secondary market could be attributed to the shortage of securities in the market. This position was exacerbated by the need to hold more debt instruments, following the amendments to Regulations 15 and 28 dealing with investment limits and the exposure of long-term insurers and pension funds.

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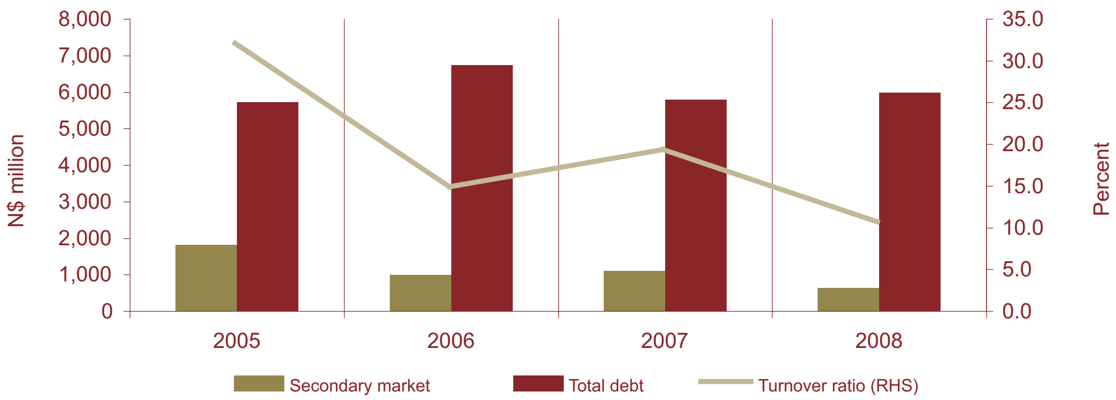
Chart C.61: Turnover ratio for Namibian government bonds



CORPORATE BONDS

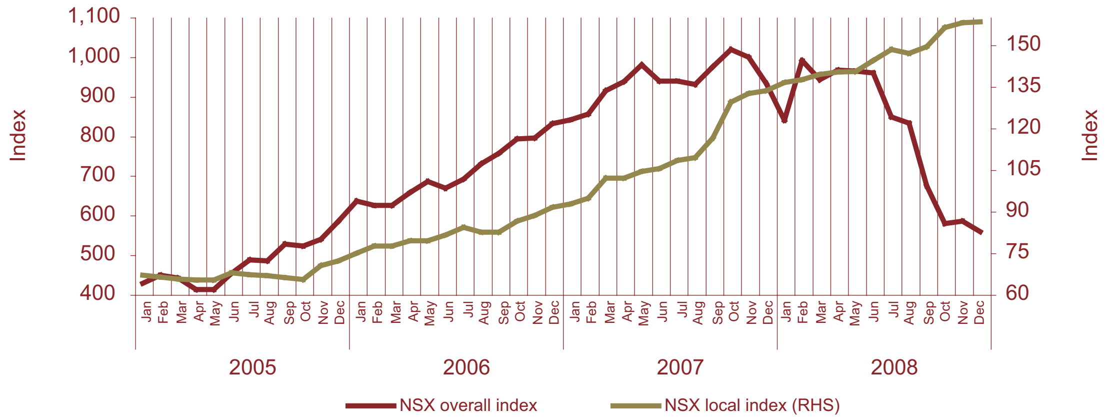
The market saw the listing of one new corporate bond during 2008. The TCN 15, a 10.70 percent bond, was issued by Telecom Namibia in April 2008. This brought the total number of corporate bonds in the market to ten. The TCN 15 matures in April 2015.

A total of N$2.3 billion was outstanding in corporate bonds at the end of December 2008, which is an increase compared with the N$2.2 billion outstanding in 2007. Some N$142 million in corporate bonds traded on the NSX during 2008, giving a turnover ratio of 6.2 percent, compared with a ratio of 11.72 percent in 2007. There is no record for over-the-counter trades for corporate bonds, however; thus, this turnover ratio could be a misrepresentation of the secondary market trading of these bonds. An increase in the volume of corporate bonds in the market is required for bond market development as it can help reduce the shortage of fixed income securities experienced in the market over recent years, and reduce the pressure on Government as the largest issuer in the market.

EQUITY MARKET DEVELOPMENTS

Despite the persistent volatility in global financial markets, the performance of the local component of the NSX was strong during 2008, increasing by 18.8 percent during the year. This reflects the relative insulation of Namibian-listed companies to the vagaries of the global markets. Nevertheless, compared with 2007, when the NSX local index recorded an increase of 46.2 percent (see Chart C.62), the 18.8 percent increase in 2008 can be viewed as relatively weak but nevertheless respectable, if put in a global context. As a result, local market capitalisation rose from N$4.8 billion at the beginning of January to N$5.7 billion by the end of the year. On the other hand, the NSX overall index suffered major losses during 2008, reflecting the exposure of companies included in this index to global economic conditions. The losses were more pronounced in the second half of the year, when it became clear that there would be a significant slowdown in global output, which in turn led to a sharp reduction in the prices of resource commodities. Between July and December 2008, the overall index declined by a massive 41.8 percent. Mainly responsible for this sharp decline was a sharp drop in the Anglo American share price, which declined by 50.0 percent during the year, and comprised 60 percent of the overall index.

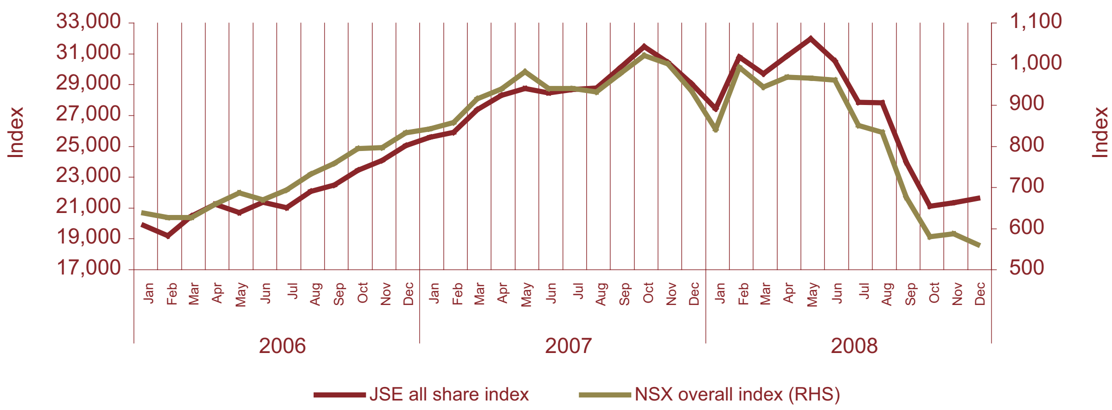
Chart C.62: Namibian Stock Exchange



Source: NSX

As can be seen from Chart C.63, the NSX overall index closely mirrors developments in the Johannesburg all shares index. This is because dual-listed companies are primarily listed on the JSE, which dictates equity price movements.

Chart C.63: JSE all shares index and NSX overall index



Source: NSX and JSE

Chart C.64 displays that returns on the local index have persistently outperformed returns on the overall index. However, one of the setbacks of investing in locally-listed companies is that shares in such companies are not easily traded, due to the limited number of offerings that outstrip demand for these instruments in the context of statutory domestic asset requirements. To boost liquidity of Namibian-owned shares traded, it would be imperative to identify and encourage more locally-owned companies to list on the NSX. In this regard, it would be important to understand why Namibian-owned companies are unwilling to list on the NSX, which is a subject for further research.

Chart C.64: Index total returns, December 2008

Source: IJG

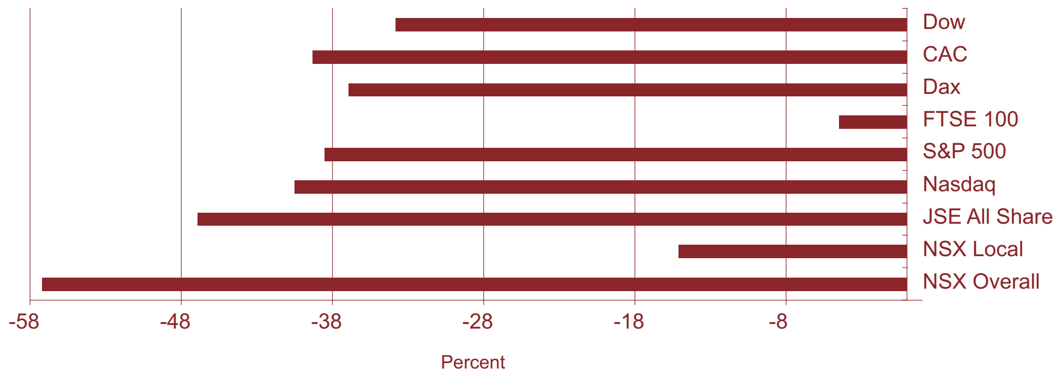
Table C.14: NSX summary statistics

Category	2007	2008	Percentage change
Overall			
Index	929.41	556.26	-40.2
Market capitalisation (N$ million)	1,186,365	736,456	-37.9
Free-float market capitalisation (N$ million)	1,103,269	672,676	-39.0
Volume traded	26,975,672	18,070,531	-33.0
Value traded (N$)	804,731,225	795,031,516	-1.2
Number of deals	211	199	-5.69
Number of new listings (DevX*)	2	0	-100
Local			
Index	133.06	157.95	18.7
Market capitalisation (N$ million)	4,781	5,720	19.6
Volume traded	13,836,628	77,006	-99.4
Value traded (N$)	49,541,632	883,739	-98.22
Number of deals on NSX	39	15	61.54
Number of new listings	0	0	0

*Stands for Development Capital Board

While the NSX local index performed quite well in Namibia Dollar terms, the same cannot be said if the values are converted into US Dollar equivalents. As shown in Chart C.65, the NSX local index recorded a yearly decline of 15.1 percent in 2008 in US Dollar terms. Moreover, the NSX overall index and the JSE all share index became among the worst performers of all the indices in US Dollar terms.

Chart C.65: Performance of global exchange in US Dollar terms, December 2008

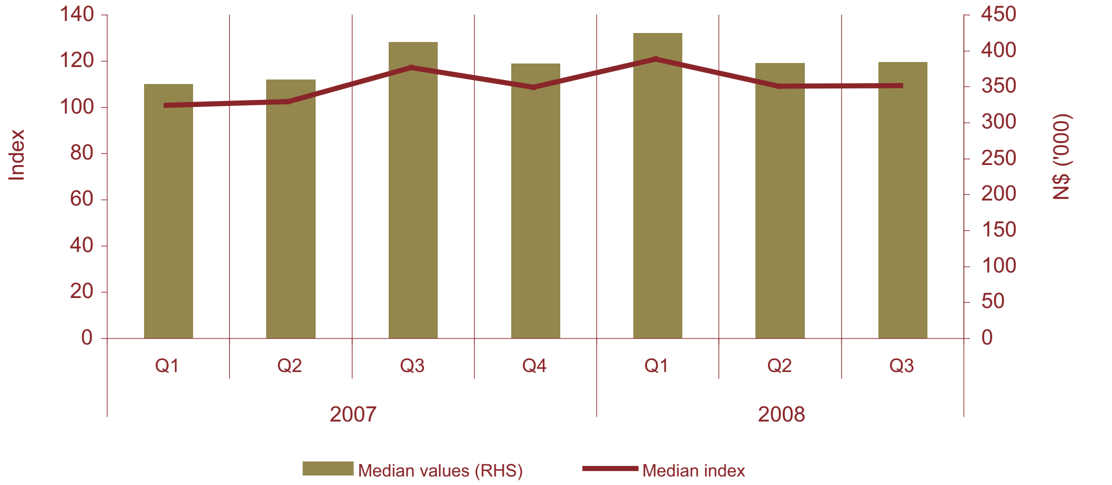


Source: Investment House Namibia

REAL ESTATE MARKET

Amidst tight monetary policy during 2008, mortgage bond trading limited to the Windhoek area showed a stabilising median price. According to the First National Bank (FNB) house price index[13], the average price for houses stabilised at N$383,500 during the second and third quarters of 2008, after a record two-year high of N$425,000 recorded during the first quarter of 2008 (see Chart C.66). During the corresponding quarters of the preceding year, house prices for the second and third quarters averaged at N$386 000, representing a decline of 0.6 percent. However, when the first quarter of 2008 is compared with that of the preceding year, the average house price rose by 20.1 percent. Furthermore, the average median price for the first three quarters of 2008 indicates an increase of 5.9 percent when compared with that of the preceding year. As a result, the index was scaled up during the year, relative to that of 2007.

Chart C.66: Windhoek mortgage bond median trading

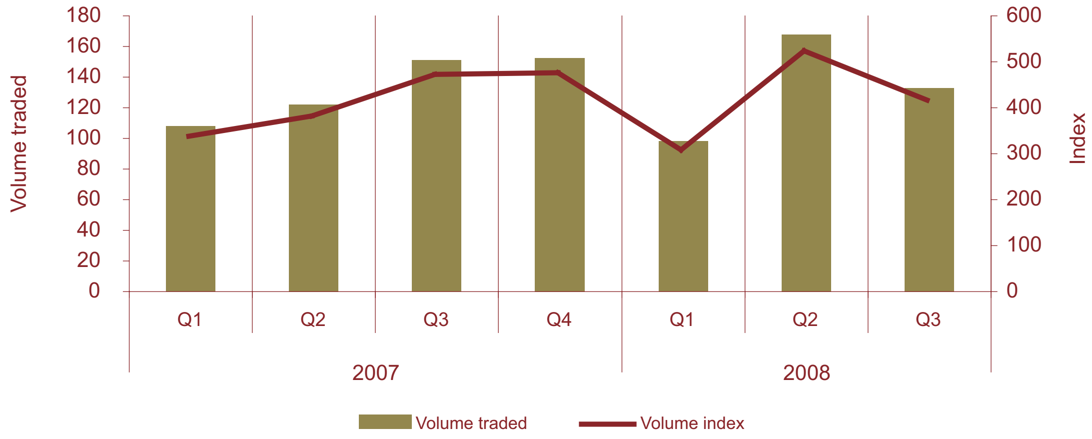


Source: FNB Namibia

The pattern depicted by the median price values and index mirrors the annual growth in mortgage bond advances over the same period. During the first three quarters of 2008, the annual growth in mortgage bond advances averaged at 11.4 percent compared to 24.3 percent in 2007. In terms of the volumes traded, 2008 recorded a higher volume of trading relative to that of 2007 (see Chart C.67). A growth of 4.6 percent in the volume traded was realised between the two years.

[13]The FNB housing index uses the median price methodology rather than averages, and excludes bonds below N$100,000 as well as those sold in the Brakwater area.

Chart C.67: Windhoek mortgage bond volume trading



Source: FNB Namibia

THE INTRODUCTION OF THE GC18

At the beginning of every fiscal year, the Government draws up a new borrowing plan. The borrowing plan proposes the total amount that the Government may borrow in that fiscal year, guided by two main factors: Firstly to fund the Government budget deficit and as well as other borrowing needs that may be deemed necessary, e.g. funding the IRSR account, and secondly to develop the domestic capital market.

In the borrowing plan, the Government also estimates how much should be borrowed in each debt instrument according to various factors, such as the amount outstanding in that specific debt instrument, its term to maturity, the coupon rate, and the coupon dates for each debt instrument.

A new Government bond was introduced in the 2008/09 fiscal year. This bond, the GC18, was first issued on 19 June 2008. The GC18 has a coupon rate of 9.5 percent and will mature on 15 July 2018. The GC18 is benchmarked to a South African bond, the R204. Prior to the GC18's introduction, the Government had five bonds outstanding: the GC08, the GC10, the GC12, the GC15, and the GC24, maturing in 2008, 2010, 2012, 2015 and 2024, respectively.

The GC08, worth N$528 million, matured on 15 July 2008. The N$1.75 billion in the GC10 was considered to be the highest amount outstanding, compared with other Government bonds. Thus, in order to allow a smooth redemption of the GC10, the decision taken was that it was not ideal to issue more debt in the GC10. Similar criteria were applied to determine which bond to issue. The market was also consulted in order to establish whether there was a specific maturity preferred by the market. It was then decided that, in addition to the existing bonds, specifically the GC12, the GC15 and the GC24, another bond with a medium term to maturity could also be issued, as there was a gap of an instrument in a five-to ten-year maturity sector. At the time of issue, the GC18 had ten years to maturity, and helped fill this gap to some extent.

By the end of December 2008, a total of N$289 million was outstanding in the GC18, which represents a proportion of 5 percent of all Government bonds outstanding. By the end of December 2008, the turnover ratio for the GC18 was 49 percent.

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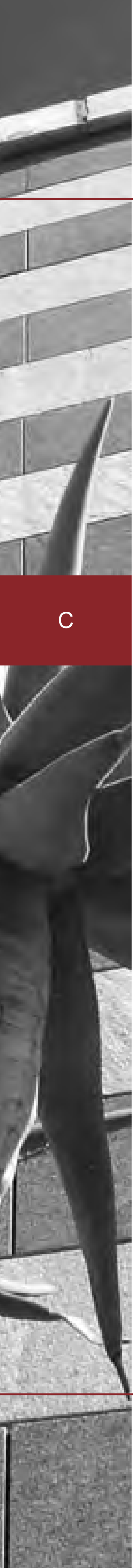


PUBLIC FINANCE

Namibia's Medium-term Expenditure Framework for the period 2008/09–2010/11 projects a deficit of 2.7 percent of GDP for the fiscal year 2008/09, while a balanced budget in 2009/10 and a surplus of 1.1 percent of GDP for the 2010/11 fiscal year are projected. In the financial year 2007/08, a budget surplus of 1.1 percent of GDP was budgeted, but it turned out higher – namely 5.3 percent of GDP. Namibia's 2008/09 budget depicted an expansionary fiscal policy stance that was mainly aided by the budget surplus in 2007/08. The budget surplus was a result of –

- strong revenue collections from taxation on international trade
- the introduction of new taxes such as the 10 percent withholding tax on interest earned, which applies to individuals, trusts, non-Namibian Companies and;
- VAT on prepaid mobile communication.

As Government remains cautious on revenue streams from the SACU revenue pool, the introduction of new income taxes as well as consumption-based taxes are expected to bridge some losses in the medium to long term. In line with ensuring sustainable revenue streams, improved tax collection remains uncompromised with the ongoing forensic audits, and encourages accountability and transparency in the financial operations of Government Offices, Ministries and Agencies.

With regard to local fiscal policy developments during 2008, Government embarked on a policy to additionally zero-rate certain basic commodities in the wake of the international financial crisis affecting the population. The amendments were ratified in the Value Added Tax Act, 2000 (No. 34 of 2000). This action by Government to address the problem of escalating food prices is commendable as it may improve the social welfare of Namibia's low-income households. It is estimated that this relief measure will cost Government N$34 million (this excludes bread as it was only added to the zero-rated list later) in lost revenue every year, and the budget will therefore have to be adjusted by this amount of revenue foregone.

Fiscal projections show increases in Government expenditure, mainly due to the salary increases during the next two fiscal years. On the other hand, a significant decline in revenue collections is expected during the same period, due to the impact of the financial crunch and resulting global slowdown for Namibian exports, especially diamonds and copper.

REVENUE, GRANTS[14] AND OUTLOOK

Total Central Government revenue for 2008/09 is estimated to have increased to N$22.0 billion, which is 6.3 percent higher than that for the 2007/08 fiscal year. The main drivers of the increase were SACU receipts, which increased to N$8.9 billion, and tax on income and profits from individuals, which increased by 9.0 percent. For the remainder of the medium term (2009/10–2011/12), total revenue and grants are expected to decrease to N$21.8 billion in 2009/10 and further to N$21.2 billion in 2010/11, picking up in 2011/12 (see Table C.15).

[14] Grants in this section only refers to those received through the Ministry of Finance.

Table C.15: Central Government revenue and grants (N$ million)

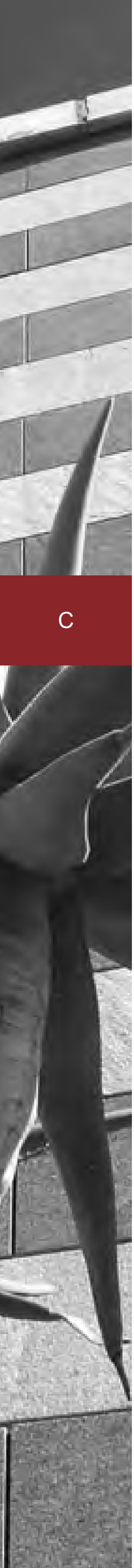
Revenue and grants	Actual	Original budget	Actual	Revised	Estimate	Forecast	
	2006/07	2007/08	2007/08	2008/09	2009/10	2010/11	2011/12
GDP	**55,877**	**62,663**	**62,663**	**66,955**	**69,868**	**73,855**	**79,428**
Revenue from tax on income and profits	5,676.0	5,201.0	6,729.7	7,338.0	6,967.5	7,616.4	8,340.5
Revenue from taxes on properties	142.0	134.0	148.9	133.0	133.4	141.0	152.0
Revenue from domestic taxes on goods and services	3,197.0	3,487.6	4,081.5	3,686.0	3,441.1	3,545.3	3,822.5
Revenue from tax on international trade (SACU)	6,698.0	8,085.0	8,085.1	8,882.0	9,331.6	7,871.0	8,360.1
Revenue from other taxes	130.0	134.0	137.9	147.0	306.0	317.0	342.0
Total tax revenue	**15,843.0**	**17,041.6**	**19,183.1**	**20,186.0**	**20,179.6**	**19,490.8**	**21,017.1**
As percentage of GDP	28.4	27.2	30.6	30.1	28.9	26.4	26.5
Entrepreneurial and property income	1,264.0	662.8	917.1	815.6	661.1	701.0	756.2
Fines and forfeitures	19.0	23.5	23.5	24.0	24.0	24.0	24.0
Administrative fees and charges	401.0	431.7	447.7	475.5	536.9	595.1	620.8
Other non-tax revenue	0.0	0.0	0.0	199.8	0.0	1.1	0.1
Total non-tax revenue	**1,684.0**	**1,118.0**	**1,388.4**	**1,515.0**	**1,221.6**	**1,321.3**	**1,401.1**
As percentage of GDP	3.0	1.8	2.2	2.3	1.7	1.8	1.8
Return on capital from lending and equity participation	17.0	23.7	16.1	34.0	26.9	27.0	26.0
Total revenue (own sources)	**17,544.0**	**18,183.3**	**20,587.6**	**21,735.0**	**21,428.1**	**20,839.0**	**22,444.1**
As percentage of GDP	31.4	29.0	32.9	32.5	30.7	28.2	28.3
Grants	50.0	204.0	78.0	238.0	350.0	308.0	244.0
As percentage of GDP	0.1	0.3	0.1	0.4	0.5	0.4	0.3
TOTAL REVENUE AND GRANTS	**17,594.0**	**18,387.3**	**20,665.6**	**21,973.0**	**21,778.1**	**21,147.0**	**22,688.1**
As percentage of GDP	31.5	29.3	33.0	32.8	31.2	28.6	28.6

Source: Ministry of Finance

SACU receipts in 2008/09 contributed N$8.9 billion to total revenue, which is 9.9 percent more than the 2007/08 contribution of N$8.1 billion. In relation to total revenue and grants, SACU receipts accounted for 40.4 percent in 2008/09, 1.3 percent more than in the previous fiscal year. Similarly, revenue from other taxes increased by 6.6 percent during the same period. On the other hand, taxes on property decreased by 10.7 percent during the same two periods. The collection of domestic taxes on goods and services also declined by 9.7 percent from the previous fiscal year, standing at 16.8 percent of total revenue and grants. The latter category also comprises contributions from VAT, levies on fuel and fishing quotas, and other licence fees. VAT, which accounted for 95.5 percent of total domestic taxes on goods and services, was chiefly responsible for the decrease in domestic tax revenue in 2008/09, dropping 2.5 percent from revenue collected from this source in the previous fiscal year. Revenue generated from taxes on income and profits increased by 9.0 percent to N$7.3 billion. This increase was due in turn to higher taxes on individuals, which offset a slight decline on company taxes. On the other hand, revenue from taxes on diamond mining increased by more than half, to N$355.0 million.

Looking ahead, total Central Government revenue and grants for 2009/10 are estimated to decline to N$21.8 billion, representing 31.2 percent of GDP (see Table C.15). The decrease in total Government revenue and grants for 2009/10 is reflected mainly in total taxable income, especially tax on income and profits, as well as domestic taxes on goods and services. The decline in revenue from taxes on income and profit is expected from income tax on both individuals and companies. Revenue from tax on individuals is expected to decline by 4.0 percent while that for companies is expected to decline significantly by 17.4 percent in 2009/10. This relatively large decline in company income tax is due to no tax revenue being expected from diamond mining and very little expected from other mining due to slowdown activities related to the global financial crisis.

On the other hand, tax revenue on international trade is expected to increase by 5.1 percent to N$9.3 billion in 2009/10. However, revenue from



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this source is expected to decline significantly, i.e. by 15.7 percent, to N$7.9 billion in 2010/11 due to falling imports, especially for luxury vehicles into SACU, and the slow economic growth in Namibia. Non-tax revenue, although it does not contribute much to Government revenue, is projected to decrease by 19.4 percent during 2010/11. This is because royalties from mining companies are also expected to decline as output is reduced and the expansion of mining activities is deferred.

EXPENDITURE AND OUTLOOK

Total Central Government expenditure for 2008/09 rose to 22.5 billion, which is 29.3 percent higher than that of 2007/08. As a percentage of GDP, total expenditure increased to 33.6 percent, from 27.7 percent for the two fiscal periods in question. The increase was reflected in both current and capital expenditure, which rose by 25.9 percent and 41.5 percent, respectively. As expected, the increase in current expenditure during 2008/09 stemmed from large social welfare allocations and the funding of State-owned enterprises. In relation to GDP, current expenditure increased by 3.9 percentage points to 25.8 percent in 2008/09, while capital expenditure rose by 1.8 percentage points to 7.4 percent in 2008/09 (see Table C.16)

Projections show that current expenditure is further estimated to increase to N$19.5 billion in 2009/10, N$20.8 billion in 2010/11, and N$21.6 billion in 2011/12. These projected increases stem from a substantial 24 percent salary increase for all Government officials over the next two fiscal years. This amounts to a N$1.0 billion increase in personnel expenditure in each of the two fiscal periods. On the other hand, capital expenditure is estimated to increase only in 2009/10 and then decreased for the rest of the Medium-term Expenditure Framework period. (see Table C.16).

The trend of current expenditure as a percentage of GDP growing faster than contributions of capital expenditure is a historical one, which may be an impediment to achieving long-term investment and economic growth. However, such impediments can be reversed over time by means of a fiscal stimulus package aimed at encouraging domestic demand and, ultimately, investment and growth.

Table C.16: Central Government expenditure (N$ million)

Expenditure by standard item	Actual	Original budget	Actual	Revised	Esti-mate	Forecast	
	2006/07	2007/08	2007/08	2008/09	2009/10	2010/11	2011/12
GDP	**55,877**	**62,663**	**62,663**	**66,955**	**69,868**	**73,855**	**79,428**
Personnel expenditure	6,214.0	6,725.0	6,805.1	7,675.9	8,899.5	10,004.0	10,176.5
Expenditure on goods and other services	2,165.0	2,995.3	2,778.5	3,703.8	4,256.1	4,508.0	4,682.8
Statutory expenditure	1,475.0	1,201.7	1,178.8	1,330.8	1,486.5	1,521.5	1,795.4
Subsidies and other current transfers	2,749.0	3,067.0	2,963.8	4,575.1	4,812.6	4,811.4	4,916.2
Total current expenditure	**12,603.0**	**13,989.0**	**13,726.2**	**17,285.5**	**19,454.7**	**20,844.9**	**21,570.9**
As percentage of GDP	22.6	22.0	21.9	25.8	27.8	28.2	27.2
Capital expenditure	1,763.9	2,277.4	1,881.1	3,636.8	4,206.0	4,142.9	3,603.6
Capital transfers	261.8	341.8	383.4	159.4	932.9	875.4	670.5
Total lending and equity participation	650.6	1,219.2	1,215.8	1,129.3	470.0	241.3	241.5
Total capital expenditure	**2,676.3**	**3,838.4**	**3,480.3**	**4,925.5**	**5,608.8**	**5,259.6**	**4,515.6**
As percentage of GDP	4.8	6.0	5.6	7.4	8.0	7.1	5.7
Expenditure not classified	0.0	0.0	176.7	258.1	356.3	289.9	222.8
TOTAL EXPENDITURE	**15,279.3**	**17,827.4**	**17,383.3**	**22,469.1**	**25,419.8**	**26,394.4**	**26,309.3**
As percentage of GDP	27.3	28.4	27.7	33.6	36.4	35.7	33.1

Source: Ministry of Finance

All components of current expenditure continued to rise in 2008/09. Personnel expenditure was 12.8 percent higher than in 2007/08, which was attributable to an increase in remuneration. Expenditure on goods and services was also up, by 33.3 percent, and was mainly reflected in subcomponents such as transport and utilities, which rose significantly due to rising fuel prices.

In comparison with the previous fiscal period, subsidies and other current transfer components increased by 54.4 percent, due to higher transfers in the form of social welfare grants to vulnerable groups (increases in grants to old age pensioners as well as to orphans and other vulnerable children, and envisaged allocations to war veterans). Interest payments and other related charges similarly increased by 12.9 percent to N$1.3 billion in the 2008/09 fiscal year. This increase was mainly caused by a rise in domestic debt instruments. The rise in respect of these instruments was in line with Government's borrowing plan for 2008/09 to finance its budget deficit and ensure domestic capital market development.

Table C.17: Summary of Government expenditure by economic/functional classification (percent)

Functional classifications	Actual			Esti-mates	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
General government services	**30.1**	**31.3**	**36.1**	**34.9**	**30.2**	**29.1**	**27.1**
General public services	11.6	13.6	17.9	15.7	12.2	10.8	9.1
Defence	9.5	9.0	9.4	10.6	10.0	10.1	10.0
Public order and safety	9.0	8.7	8.8	8.6	8.0	8.1	8.0
Community and social services	**51.9**	**48.6**	**46.3**	**48.0**	**47.6**	**47.6**	**48.9**
Education	22.1	21.1	19.2	19.9	18.6	19.2	19.5
Health	10.0	8.8	9.4	9.4	9.6	9.0	9.4
All other	19.8	18.7	17.7	18.7	19.4	19.4	19.9
Economic services	**9.0**	**10.4**	**10.9**	**11.2**	**12.9**	**12.2**	**12.8**
Expenditure not classified	**9.0**	**9.7**	**6.7**	**5.9**	**9.3**	**11.1**	**11.2**
TOTAL EXPENDITURE	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Ministry of Finance and Bank of Namibia

The largest portion of the total expenditure, which amounted to 48.0 percent in 2008/09, was allocated to the community and social services sector. This represents an increase from 46.3 percent if compared with 2007/08. The education subsector received 19.9 percent of the community and social services budget, while all other community and social services received 18.7 percent, and health 9.4 percent. The share of the education subsector was slightly higher at 19.9 percent than its allocation in the 2007/08 budget. However, this subsector is estimated to receive an expenditure allocation of about 19.1 percent on average during the 2009/10–2011/12 period. The share to the health subsector remained constant at 9.4 percent in 2007/08 when compared with 2008/09, but gradual increases during the 2009/10–2011/12 period. Provisions to general Government services were decreased from 36.1 percent to 34.9 percent during the same period. On the other hand, allocations to economic service sectors increased slightly from 10.9 in 2007/08 to 11.2 percent in 2008/09, and is estimated to increase further over the Medium-term Expenditure Framework period (see Table C.17).

Table C.18: Summary of development budget allocation by sector (N$ million)

Sector	Actual			Revised	Estimate	Forecast	
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic	239.6	183.1	376.3	602.2	987.0	1,119.8	930.7
Infrastructure	327.9	442.0	520.8	718.1	1,207.5	964.8	851.8
Social	372.8	376.7	252.8	541.7	732.3	712.7	690.0
Public safety and administration	366.8	396.8	685.0	1,104.4	1,545.5	1,635.1	1,131.5
Total development expenditure[15]	**1,307.1**	**1,398.6**	**1,834.8**	**2,966.4**	**4,472.3**	**4,432.4**	**3,604.1**

Source: Ministry of Finance

[15] This only includes development expenditure within the budget.

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Development budget expenditure is estimated to increase by 61.7 percent to N$3.0 billion in 2008/09, up from N$1.8 billion in 2007/08. All sectors experienced increases during the period under review. A notable rise in development expenditure during 2008/09 was for that of the social sector, which increased significantly by more than 100 percent to N$541.7 million. Similarly, expenditure allocated to the public safety and administration sector increased notably in comparison with the 2007/08 period by 61.2 percent, to reach N$1.1 billion in 2008/09. Economic sector allocation also increased by 60.0 percent to N$602.2 million during the same period. It is worth mentioning that this sector is the second largest contributor to total development expenditure. This is because Government has already started to shift expenditure towards productive and social sectors as one of its development goals. Infrastructure sector expenditure also increased by 37.9 percent to N$718.1 million during the same period (see Table C.18) This increase was in line with the Government's role to ensure that suitable infrastructure is in place and operative in order to support development and trade. The increases in the above-mentioned sectors are also projected to continue over the Medium-term Expenditure Framework period.

CENTRAL GOVERNMENT BUDGET BALANCE

A relatively large surplus of 5.3 percent of GDP on the Government budget was recorded in the 2007/08 fiscal year as a result of tighter expenditure control, improved collection of domestic taxes on goods and services, and strong SACU revenues. This was more than 100 percent higher than budgeted. However, a deficit of N$496.1 million – or 0.7 percent of GDP – is estimated for the 2008/09 fiscal year (see Table C.19).

Table C.19: Government budget balances (N$ million)

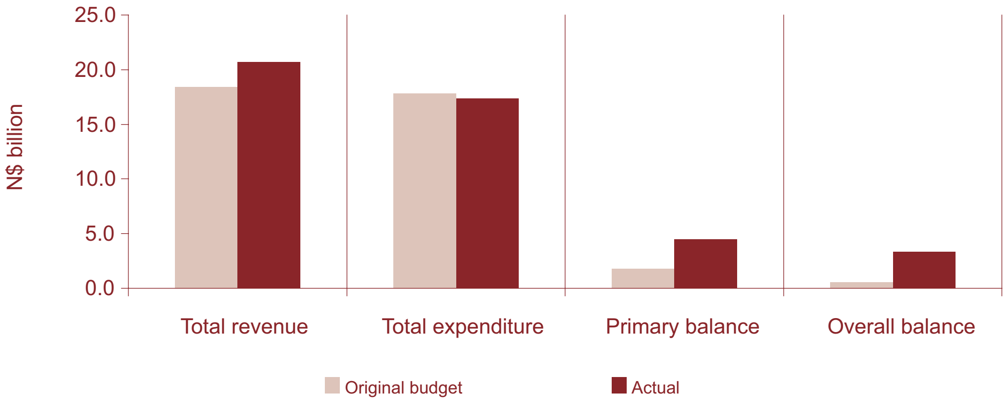
Item	Actual		Revised	Estimate	Forecast	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
GDP	**55,877**	**62,663**	**66,955**	**69,868**	**73,855**	**79,428**
Total revenue and grants	17,594.0	20,688.6	21,973.0	21,778.1	21,147.0	22,688.1
Total budget expenditure, excluding interest payment	13,804.3	16,219.3	21,275.9	24,070.1	24,965.0	24,516.0
Primary balance[16]	**3,789.7**	**4,469.4**	**697.1**	**-2,292.0**	**-3,817.9**	**-1,827.9**
As percentage of GDP	6.8	7.1	1.0	-3.3	-5.2	-2.3
Interest payment	1,475.0	1,164.0	1,193.2	1,349.7	1,429.4	1,793.3
As percentage of GDP	2.6	1.9	1.8	1.9	1.9	2.3
Total budget expenditure	15,279.3	17,383.3	22,469.1	25,419.8	26,394.4	26,309.3
Overall balance[17]	**2,314.7**	**3,305.3**	**-496.1**	**-3,641.7**	**-5,247.4**	**-3,621.2**
As percentage of GDP	4.1	5.3	-0.7	-5.2	-7.1	-4.6
Expenditure outside budget	37.9	-767.9	-1,282.6	508.3	998.2	-240.6
Fiscal balance[18]	**2,352.6**	**2,537.4**	**-1,778.7**	**-3,133.4**	**-4,249.2**	**-3,861.8**
As percentage of GDP	4.2	4.0	-2.7	-4.5	-5.8	-4.9

Source: Ministry of Finance

It is worth comparing Central Government's primary and fiscal balances in order to determine the true cost of debt to the economy. The primary balance describes the condition where expenditure, excluding interest payments and debt redemptions, is covered by revenue. The *fiscal balance* includes all expenditure by Government within and outside the main budget. As can be seen in Table C.19, Government recorded budget surpluses and smaller deficits in the fiscal years presented in terms of the primary balance. However, the situation changes when one considers the true implications of Government spending. Thus, Government spending on interest payments, other borrowing repayments and extra-budgetary expenditure was considerably high, and in fact worsened the overall fiscal position.

[16]This balance excludes expenditure on interest payments and other borrowing-related charges.
[17]This balance includes expenditure on interest payments and other borrowing-related charges, but excludes expenditure financed outside the main budget.
[19]This balance includes all expenditure by Government within and outside the main budget. Normally there are projects financed directly by foreign loans.

Chart C.68: Government expenditure and revenue – Original budget vs actual, 2007/08 fiscal year



Source: Ministry of Finance

The estimated total revenue and expenditure for 2007/08 were N$18.4 billion and N$17.8 billion, respectively. However, actual revenue turned out to be 12.5 percent higher, at N$20.7 billion, while expenditure declined by 2.5 percent from the original budget provision to a lower amount of N$17.4 billion (see Chart C.68). Revenue earned through income tax on company profits, domestic taxes on goods and services, and SACU receipts brought about the positive developments in revenue out-turn. On the other hand, Government expenditure in most categories turned out to be lower than expected. This development broadened both the primary surplus and the overall surplus, and strengthened the Government's fiscal position.

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CENTRAL GOVERNMENT DEBT AND INSTRUMENTS[19]

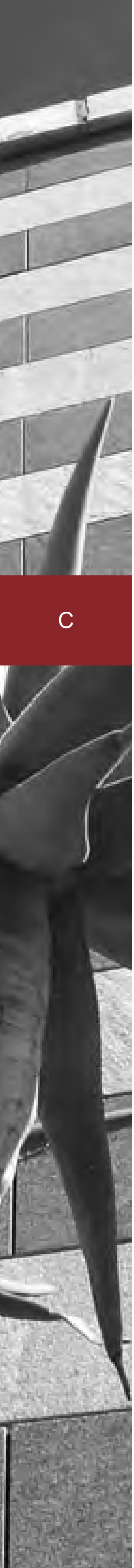
Central Government debt stock outstanding at the end of December 2008 stood at N$13.2 billion, representing a significant increase of 10.3 percent compared with the level recorded at the end of the fiscal year of 2007/08. This represents 19.6 percent of GDP, and was higher than the 19.0 percent of GDP recorded at the end of 2007/08. This increase in total debt was reflected in both domestic and external debt (see Table C.20).

Table C.20: Central Government debt as at 31 December 2008 (N$ million)

Debt	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
GDP	**39,180**	**43,554**	**48,137**	**55,877**	**62,663**	**66,955**
Foreign debt stock	**1,607.2**	**2,016.0**	**1,951.2**	**2,710.2**	**3,143.0**	**3,665.1**
Bilateral	824.1	931.2	748.7	1,131.1	1,280.8	1,536.2
As percentage of total	51.3	46.2	38.4	41.7	40.7	41.9
Multilateral	783.1	1,084.8	1,202.5	1,579.2	1,862.2	2,129.0
As percentage of total	48.7	53.8	61.6	58.3	59.3	58.1
Domestic debt stock	**8,606.0**	**10,542.7**	**10,689.8**	**10,927.8**	**8,782.0**	**9,489.7**
Treasury bills	5,041.0	5,615.7	4,762.8	3,950.0	3,000.0	3,505.0
As percentage of total	58.6	53.3	44.6	36.1	34.2	36.9
Internal registered stock	3,565.0	4,927.0	5,927.0	6,977.8	5,782.0	5,984.7
As percentage of total	41.4	46.7	55.4	63.9	65.8	63.1
Total debt	**10,213.2**	**12,558.7**	**12,641.0**	**13,638.0**	**11,925.0**	**13,154.8**
Proportion of total debt						
Foreign debt stock	15.7	16.1	15.4	19.9	26.4	27.9
Domestic debt stock	84.3	83.9	84.6	80.1	73.6	72.1
As percentage of GDP						
Foreign debt stock	4.1	4.6	4.1	4.9	5.0	5.5
Domestic debt stock	22.0	24.2	22.2	19.6	14.0	14.2
TOTAL DEBT	**26.1**	**28.8**	**26.3**	**24.4**	**19.0**	**19.6**

Sources: Ministry of Finance and Bank of Namibia

[19]Figures reported for the 2008/09 fiscal year only cover the period up to 31 December 2008.



DOMESTIC DEBT

Domestic debt increased by 8.1 percent to N$9.5 billion at the end of December 2008, up from the N$8.8 billion recorded at the end of 2007/08. The increase is reflected in both Treasury bills (T-bills) and internal registered stock (IRS). The increase in T-bills stemmed from a net issue of N$505 million, while IRS showed a net increase of N$202.7 million, both in relation to 2007/08 figures. As for the IRS, the stock of bonds increased by 3.5 percent to close to N$6.0 billion at the end of December 2008. This was mainly attributed to the introduction of a new bond, the GC18, which was launched in June 2008. The increase in both T-bills and IRS were in line with Government's borrowing plan to finance its budget deficit and other borrowing needs as well as to ensure the development of the domestic capital market.

In terms of its share of total Central Government debt, domestic debt accounted for 72.1 percent, which is lower than 73.6 percent recorded at the end of the previous fiscal year. In terms of composition of domestic debt, IRS accounted for 63.1 percent at the end of December 2008, while the remainder was accounted for by T-bills. As a percentage of GDP, domestic debt at 31 December 2008 increased to 14.2 percent, which is 0.2 percentage point higher than that recorded at the end of 2007/08.

FOREIGN DEBT

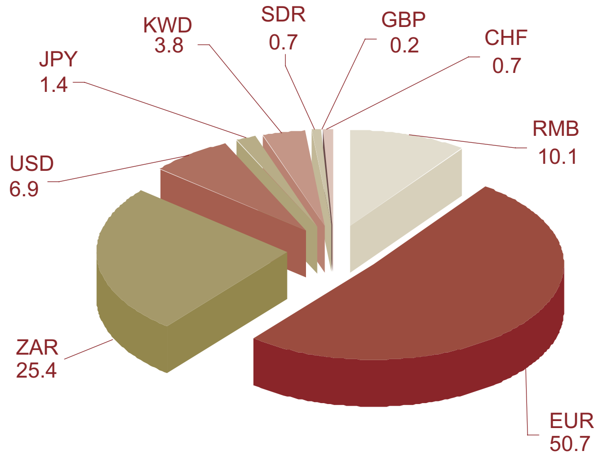
Total external debt increased to N$3.7 billion at the end of December 2008, from N$3.1 billion at the end of 2007/08, representing a significant growth of 16.6 percent (see Table C.20). The increase in total external debt stock was mainly due to the new loans contracted during the quarter as well as the impact of the Namibia Dollar's depreciation against the major foreign currencies at the end of 2008. As a result, the contribution by external debt to total Central Government debt increased from 26.4 percent at the end of 2007/08 to 27.9 percent at the end of December 2008. As a ratio to GDP, external debt stood at 5.5 percent, 0.5 percentage point higher than the previous fiscal period. Loans from multilateral creditors continued to dominate the composition of external debt, accounting for 58.1 percent at 31 December 2008. However, this is lower than the 59.3 percent recorded at the end of the previous fiscal year.

The debt outlook for the period under review indicates that Government's prudence has helped to comply with the fiscal target as far as the level of the debt stock is concerned. Total Central Government debt to GDP at 31 December 2008 was 19.6 percent, which is 5.4 percentage points below the targeted maximum of 25 percent. Domestic debt stock continues to form a significant source of Government budget financing, as well as an important aspect of developing and stimulating the domestic financial market.

CURRENCY COMPOSITION

Considerable year-on-year changes have been observed in the currency composition of external Central Government debt. For example, significant increases were notable in loans denominated in Euros, US Dollars and Chinese Yuan (see Charts C.69a and b). This is due to a weaker Namibia Dollar exchange rate against the above-mentioned currencies experienced at the end of December 2008. On the other hand, a notable decline in debt denominated in South African Rand was experienced at the end of the same period.

Chart C.69a: External debt currency composition (percentage share), 31 December 2007



Source: Ministry of Finance

ZAR = South African Rand; USD = US Dollar; JPY = Japanese Yen; KWD = Kuwaiti Dinar; SDR = Special Drawings Rights; GBP = British Pound; CHF =Swiss Francs, RMB = Chinese Yuan; EUR = Euro

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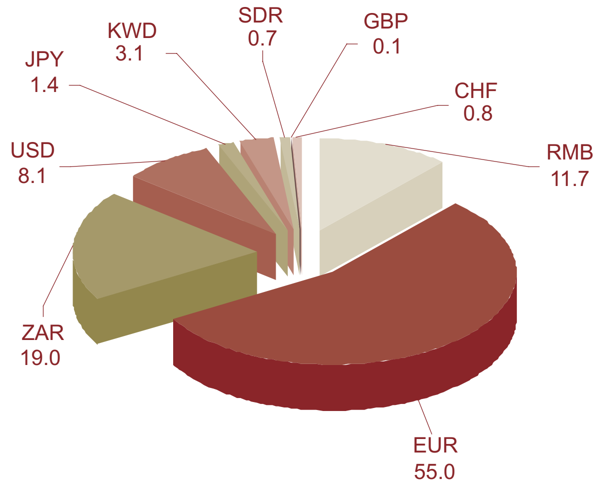
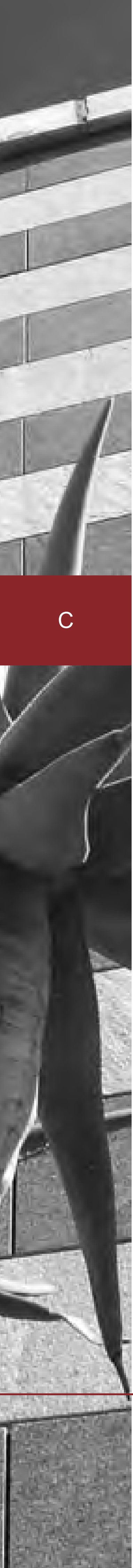
Chart C.69b: External debt currency composition (percentage share), 31 December 2008



Source: Ministry of Finance

ZAR = South African Rand; USD = US Dollar; JPY = Japanese Yen; KWD = Kuwaiti Dinar; SDR = Special Drawings Rights; GBP = British Pound; CHF =Swiss Francs, RMB = Chinese Yuan; EUR = Euro

The Euro maintained its position as the dominant currency in respect of Namibia's foreign debt constituting 55.0 percent of the total, up from 50.7 percent in the previous fiscal period. The Rand was second, contributing 19.0 percent, although this figure had dropped from the 25.4 percent recorded for 2007/08 due to a net repayment of N$32 million made over the period. The US Dollar represented 8.1 percent of the total share, up from 6.9 percent in the previous fiscal period, while the Chinese Yuan's debt share to total external debt increased by 1.6 percentage points to 11.7 percent. The shares of the rest of the currencies had not changed much by 31 December 2008, when compared with their total shares noted at the end of December 2007 (see Charts C.69a and b).



CENTRAL GOVERNMENT LOAN GUARANTEES[20]

The value of total Central Government loan guarantees stood at N$3.1 billion at the end of December 2008. These guarantees may be issued to both the public and private sectors, including individual farmers under the Affirmative Action Loan Scheme administered by Agribank. When compared with 2007/08, the guarantees represent a significant decrease of 9.0 percent. In relation to GDP, total loan guarantees fell from 5.4 percent at the end of the 2007/08 fiscal year to 4.7 percent at the end of December 2008 (see Table C.21).

Table C.21: Central Government loan guarantees (N$ million)

Loan guarantees	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
GDP	**39,180**	**43,554**	**48,137**	**55,877**	**62,663**	**66,955**
Domestic guarantees	**1,136.0**	**1,341.0**	**1,494.6**	**1,760.9**	**1,229.8**	**1,106.5**
As percentage of GDP	2.9	3.1	3.1	3.2	2.0	1.7
As percentage of total guarantees	35.5	55.0	42.6	46.7	36.0	35.6
Foreign guarantees	**2,067.0**	**1,097.0**	**2,010.2**	**2,006.7**	**2,183.5**	**1,999.4**
As percentage of GDP	5.3	2.5	4.2	3.6	3.5	3.0
As percentage of total guarantees	64.5	45.0	57.4	53.3	64.0	64.4
TOTAL GUARANTEES	**3,203.0**	**2,438.0**	**3,504.8**	**3,767.6**	**3,413.3**	**3,105.9**
As percentage of GDP	8.2	5.6	7.3	6.7	5.4	4.7

Source: Ministry of Finance

The decline in total guarantees was caused by the guarantee that was invoked in a private enterprise in the mining and quarrying sector, due to default. This was also supported by repayments of some loans by both state owned enterprises and private enterprises. Domestic guarantees decreased significantly by 10.0 percent, to N$1.1 billion by the end of December 2008, representing 1.7 percent of GDP and 35.6 percent of total guarantees (see Table C.21). The decrease in domestic guarantees was mainly caused by a default of N$165 million by a private enterprise in the mining and quarrying sector.

Similarly, foreign loan guarantees fell notably by 8.4 percent to N$2.0 billion by the end of December 2008, in comparison with the figure recorded at the end of the 2007/08 fiscal year. This decline was caused by a repayment of N$446.2 million by a state owned enterprise in the transport sector. As a result, foreign loan guarantees as a percentage of total loan guarantees rose from their 2007/08 level by 0.4 percentage point, to constitute 64.4 percent. Conversely, in relation to GDP, foreign loan guarantees fell from 3.5 percent in 2007/08 to 3.0 percent by 31 December 2008.

EVALUATING THE DISTRIBUTIVE EFFICIENCY AND TAX INCIDENCE OF VAT IN NAMIBIA: AN APPLICATION USING THE NHIES 2003/04 DATA

Introduction

One of the most fundamental questions addressed by fiscal policy is who bears the final burden of tax. From a fairness perspective, there are three broad types of taxes: regressive, proportional and progressive. Value added tax (VAT) is an example of taxation that can be designed to be either progressive or regressive. Although both rich and poor households may consume the same basket of goods to which VAT applies, it is thought to have the most adverse impact on lower-income groups, which explains why social economists criticise VAT as a regressive tax. Namibia has been cited as one of the countries with the worst distribution of income in the world. The huge disparity in income presents a significant risk to the country in terms of the socio-economic stability required for rapid pro-poor growth. Accordingly, one of the

[20] Figures reported for the 2008/09 fiscal year only cover the period up to 31 December 2008.

main objectives of the Government has been to redress the inequalities of the past through a combination of macroeconomic policies, including pro-poor fiscal policy.

This box article stems from findings of a 2007 Bank of Namibia Fiscal Position Paper, in which taxation – and, in particular, VAT and tax on income and profits – was found to have a negative effect on economic growth. Secondly, some perceptions arose about the fairness of our consumption-based system of taxation amidst rising prices globally. And thirdly, there was a need to assess the impact these developments could be having on the population, given Namibia's high level of socio-economic inequality.

According to a revised definition of poverty based on NHIES 2003/04 data – which uses the Cost of Basic Needs (CBN) Approach widely adopted in most SADC economies as well as other developing countries – Namibia's Gini coefficient is placed at 0.63.

In light of the above developments, the paper has two objectives:

- An analysis of the distributive efficiency of VAT, which identifies the main food items and non-food items purchased and, hence, assumes them to be consumed by low-income/poor households, and;
- An analysis of the tax incidence of VAT, which assesses whether there is fairness in the current VAT system by trying to establish the regressiveness or progressiveness of VAT in Namibia.

Methodology

Data from the NHIES 2003/04 was used in the analysis. Most of the analysis on the distributive efficiency of VAT was done with the free software called DAD (Distributive Analysis/Analyse Distributive), which makes use of Concentration Curves and Lorenz Curves in its analysis.

Data

As mentioned previously, the study used data from the NHIES 2003/04, which surveyed a sample of 9,801 rural and urban households from all 13 Regions of the country. For its analysis, the paper sourced data based on the sample of 9,801 households in two specific categories, namely food items and non-food items.

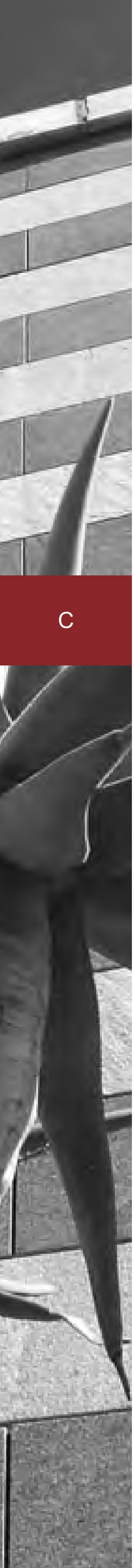
In the light of problems with underreporting in respect of income data for low-income households in the NHIES 2003/04 and since expenditure data are reported more accurately, the latter were used in the analysis.

The distributive efficiency and tax incidence analyses both make use of selected data on purchased food items and non-food items. The food items that were used in the analyses were rice, maize, mahangu (pearl millet), meat, fish, milk, bread, tobacco, sorghum, chicken, eggs, butter, cooking oil, dried beans, dried vegetables, sugar, powdered soup and soft drinks. These items were selected on the premise that they were representative of the national basket consumed by both the rich and the poor in Namibia. The non-food items were selected on the premise of their importance to society. The following goods and services were used in the analysis: clothing and footwear, utilities (including housing, electricity, water and gas), health, transport (public and hired), education, and communication.

Findings

The *distributive efficiency* analysis showed that both low- and high-income households proportionately spent more on food items, while expenditure by low-income households on non-food items was relatively lower than their wealthier counterparts. Furthermore, concentration curves illustrated that maize, mahangu, sorghum, fish, dried vegetables, dried beans, sugar, cooking oil and powdered soup were mainly preferred by lower-income groups while food items such as meat, bread, rice, tobacco, milk, soft drinks, chicken, butter and eggs were preferred by the high-income group. Of the above food items purchased by the population, dried beans, bread and cooking oil were zero-rated in 2008, joining products such as maize and mahangu, which were zero-rated in 2000. Expenditure on non-food items indicated that low-income households spent relatively more on clothing and footwear, utilities and health, as opposed to spending on communication, education and transport, which the high-income households spent relatively more on.

The dominance test results, which served the purpose of highlighting the most favoured food and non-food items by cash expenditure, indicated that certain food and non-food items were purchased more often on average than others. Food items such as rice, maize, bread, tobacco, eggs, butter, chicken, soft drinks and services such as communication and transportation were the most preferred goods and services by the population at large. Thus, to enhance the redistribution of welfare, Government could



consider extending VAT exemptions to apply to these items as well, with the exception of those already zero-rated such as bread, maize and mahangu.

With regard to the tax incidence analysis, the VAT burden for each of the 9,801 households was calculated, based on total expenditure for all food items under review. A ranking was then done to establish whether the VAT burden was progressive (it increased) or regressive (it decreased) with total expenditure.

The results indicated that VAT in Namibia was progressive. However, due to the uniformity of the VAT levy for the whole population and differing income levels, low-income households may be more affected (in the short to medium term) in the wake of exogenous factors in the economy, such as rising global prices. From the food items selected for the analysis, these would include sorghum, fish, dried vegetables, sugar and powdered soup, on which the low-income households spend their money.

Conclusions

Despite the above findings, the paper is far from being conclusive on the issue of tax incidence, given the array of analytical possibilities that exist. The purpose of the study was merely to set the scene for various analyses that could be carried out with the availability of comprehensive data, and to introduce and encourage research in the field of welfare economics.

Recommendations

Notwithstanding the observations, the study makes the following recommendations based on the current findings.

There is scope for making the system even more progressive. Low-income households can additionally benefit from further exemptions and/or zero-rating of certain commodities. Should a policy in this arena be considered, the food items to target would include sorghum, fish, dried vegetables, sugar and powdered soup, on which the low-income households spend their money.

Given the above recommendations on zero-rating and/or exemptions, it is however imperative that Government consider the potential impact these suggestions may have on the budget before engaging into appropriate policy.

Source: Fiscal Position Paper 2008, Bank of Namibia

PART D
BANKING SUPERVISION

PART D

D

INTRODUCTION

A key responsibility of the Bank is to ensure the continued relevance of the legal framework for the regulation and supervision of banking institutions in order to bring about sound, progressive and effective banking system in Namibia that supports the economy of the country. It has, therefore, become immensely important that the legal and regulatory framework takes into consideration local, regional and international developments with respect to markets and regulatory standards. This further enhances the financial stability and soundness of the banking sector. The legal and regulatory framework ensures that banking institutions comply with international best practices, which are embedded in the Banking Institutions Act, 1998, the Bank of Namibia Act, 1997 and the Core Principles for Effective Banking Supervision to ultimately achieve financial stability and soundness.

DEVELOPMENTS IN SUPERVISORY ISSUES

This section of the report reflects on the regulatory developments during the period of review. The key focus of these developments is the status of the Basel II Capital Accord Implementation Project in Namibia or simply called Basel II, together with other important issues, such as the roll-out of the Basel Core Principles for Effective Banking Supervision, as well as the licensing of new banking institutions.

BASEL II[21] CAPITAL ACCORD IMPLEMENTATION

The objective of the Basel II Capital Accord is aimed at providing guidance in the development of regulations governing the capital adequacy of banking institutions.

The year under review was characterized by significant progress with the implementation of Basel II. The Banking Supervision Department applied a phased approach underpinned by extensive project management principles towards ensuring the successful roll-out of Basel II.

A road-map was compiled, consisting of key deliverables, deadlines and the allocation of responsibilities to the relevant Task Groups and the Basel Project Team under the auspices of the Basel II Implementation Charter. The road-map summarizes the planning process to amend the existing regulatory framework for capital adequacy.

The year under review saw the planning process scrutinised for any limitations, which were noted and resulted in continous updates where necessary. The Department of Banking Supervision continued to focus on the following vital components, which are built into the Basel II Implementation Project Charter to ensure the successful roll-out of the project:

- Obtaining commitment from the relevant stakeholders
- Adopting a collaborative approach from the industry and the Project Team at the Bank
- Defining clear accountabilities by all parties to the Charter, and
- Regularly monitor the state of readiness of banking institution and the timely scheduling of Task Group meetings.

During the first half of 2008, significant strides were made to achieve some of the key deliverables according to the road-map. Among these were the completion, sign-off and adoption of the Credit, Market and Operational Risk and Market Disclosure Requirements Determinations, including the gap identification and readiness assessment exercise carried out at all banking institutions. The objectives of the abovementioned Determinations were to obtain technical input from the industry and to reach consensus on the practices that should be entrenched in the consolidated Capital Adequacy Determinations, while the aim of the gap identification and readiness assessment was to establish the mismatch between the current risk management practices in the industry relative to the Basel Committee proposals.

The sign-off on the Credit, Market and Operational Risk Determinations resulted in the crafting of the consolidated Determinations on Capital Adequacy, together with statutory returns to be submitted by banking institutions and instructions for completion of such returns. This document was subsequently forwarded to the banking industry for comment, which was positively received and returned with valuable comments that should be considered

[21]Refer to Annual Report 2005, 2006 and 2007 for additional information on the Basel II Capital Requirements

prior to finalization and preparation of these Determinations for gazetting. With reference to the gap identification and readiness assessment as described above, the Banking Supervision Department aimed at ensuring comparability in the outcome of the self-assessments for all banking institutions, by issuing a set of standardised templates in carrying out the evaluation process.

The outcome of the study on the self-assessment templates submitted by banking institutions provided valuable insights to the Banking Supervision Department. A report was subsequently compiled on the self assessment study and shared with the executive management in the banking sector.

During the latter half of 2008, all banking institutions were called upon to submit their Basel II readiness plans to the Department for scrutiny. This exercise aimed at assessing the industry's project plans, IT systems changes that need to be effected, how these changes in the plans are to be tested, personnel training plans and how such implementation plans will be communicated within the respective banking institutions. The focus of this exercise was also to assess the alignment of the industry dates with the key deliverable dates in the road map on the Basel II Project prior to the parallel-run and go-live phases scheduled for mid 2009. Similarly, the results of this exercise were again shared with the executives in the industry.

The period July-December 2008 also saw a limited scope on-site review carried out on the industry, mainly to establish whether the internal capital targets are sound and consistent with the overall risk profiles within the sector. In concluding this phase, the Department issued a draft Determination to the industry for comment, which sets out the minimum standards for the Internal Capital Adequacy Assessment Process (ICAAP). This document was well received by the banking fraternity and was ultimately adopted with minimal concessions on the substance.

At the same time, the Banking Supervision Department was compelled to reconsider some policy decisions on important aspects that were causing bottlenecks in the roll-out of some phases under the Basel II Project. The Bank made a conscious decision several years ago to increase the regulatory minimum level of capital from the recommended Basel Committee level of 8 percent to 10 percent, and introduced the tier 1 leverage ratio capped at a level of 6 percent. Notwithstanding the rationale of this decision, the Banking Supervision Department undertook an intensive investigation to establish whether the existing levels are still appropriate under the scope of the Basel II proposals and similarly to ensure that the local banking system is not unduly affected by the new recommendations on the above issues. To this end, after extensive deliberations the Banking Supervision Department made a decision to remove the tier 1 leverage ratio, subject to the successful roll-out of the ICAAP at all banking institutions, while the required regulatory minimum of 10 percent will remain unchanged, due to the systemic important role that all banking institutions play in the local financial system.

Another issue that sparked extensive deliberations was the 50 percent risk weighting for exposures secured by residential mortgages that was adopted as an item of national discretion, while the Basel Committee recommended a risk weighting of 35 percent. This item necessitated the Banking Supervision Department to re-examine the proposal by carrying out a stress-test exercise on the industry's mortgage book and to consider the historical default experience under the same asset class. The alarming results of the former exercise, in conjunction with the absence of strict valuation rules for residential mortgages, led to a decision to keep the 50 percent weighting for such exposure unaltered.

In conclusion, the Bank is pleased to announce that the Basel II Project is on course towards the successful implementation. In this regard, the Banking Supervision Department closely followed the work done by other internationally renowned regulators, such as the Basel Committee on Banking Supervision, the Hong Kong Monetary Authority, the Australian Prudential Regulator of Authorised Depositing Institutions, the Committee of European Banking Supervisors, the Superintendent of Financial Institutions in Canada, and the South African Reserve Bank.

All stakeholders in the Namibian banking industry are seen to be living up to the letter and spirit of the collaborative efforts detailed in the Basel II Project Charter and the acknowledgment that the Basel II Capital Accord will become the "new way of working" and regulating banking institutions in Namibia. Furthermore, the Banking Supervision Department is confident that this approach will ensure the soundness and robustness of the local banking system, and intends to remain committed to reaching the expected milestone in the journey towards adopting international best practices.

AMENDMENT OF THE BANKING INSTITUTIONS ACT, 1998 (ACT NO. 2 OF 1998)

One of the cornerstones of effective supervision is developing banking regulatory and supervisory legislative requirements. The Bank has revisited the Banking Institutions Act, 1998 during 2007 and effected modifications to the supervisory framework in order to be compliant with international best practices. This will enable the Bank to –

- supervise banking groups on a consolidated basis
- combat illegal deposit taking
- allow foreign banking institutions to establish branches in Namibia, and
- determine start-up capital of a new banking institution.

The Banking Institutions Act is expected to be promulgated during 2009.

BASEL CORE PRINCIPLES OF EFFECTIVE BANKING SUPERVISION

Following the findings of the IMF's Financial Sector Assessment Program (FSAP) carried out on Namibia and the subsequent self-assessment, i.e. gap analysis embarked upon by the Banking Supervision Department, the Bank was rated as not being fully compliant with some of the essential and additional criteria under the 25 Basel Core Principles for Effective Banking Supervision. In an effort to move toward full compliance, the Banking Supervision Department has revised and introduced several regulations to strengthen and address any levels of non-compliance. Thus far, the regulations that have been amended include the Determinations on Liquid Assets, and the Determinations on Minimum Local Assets, while a new regulation, the Determinations on Country Risks was introduced. The process of drafting new and amending existing regulations will be continuing throughout 2009.

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ANTI-MONEY LAUNDERING SUPERVISORY FRAMEWORK

Once the FIA comes into effect in 2009, the legislation is intended to safeguard the Namibian financial system as well as its constituent financial institutions from the impact of financial crime, including money laundering and other illicit financial transactions. Money laundering, as a financial crime, has potentially devastating social and financial effects. From the profits of the narcotics trafficker to the assets looted from Government coffers by dishonest officials, criminal proceeds have the power to corrupt and ultimately destabilise communities – or even the entire economy. Under the FIA, banking Institutions are required to develop, implement, and maintain effective anti-money laundering (AML) programmes that address the ever-changing strategies of money launderers, who attempt to gain access to the Namibian financial system. A sound AML compliance programme is critical in deterring and preventing these types of activities at or through banks and other financial institutions. In this regard, the FIC will rely on the Banking Supervision Department to examine banking institutions within its jurisdiction to ensure compliance with the FIA.

In anticipation of the obligations placed on supervisory bodies under the FIA, the Banking Supervision Department is preparing for the effective implementation of a sound AML programme. This has involved the development of a framework and examination manual in order to provide guidance to examiners. The framework also provides guidance in respect of identifying and controlling the risks that are associated with money laundering.

An effective AML compliance programme requires sound risk management. Therefore, the examination manual contains an overview of AML compliance programme requirements, AML risks and risk management expectations, sound practices for combating money laundering in the industry, and examination procedures.

ON-SITE EXAMINATIONS AND OFF-SITE ANALYSES

The Bank conducted two full scope risk-based examinations[22] during 2008. The technical assistance received from the IMF and the further training received from Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) enhanced the skills in this area. The two risk-based examinations that were carried out effectively challenged the banks examined on most material dimensions of risk management, internal controls and other checks and balances that are required to manage and conduct banking business in a prudent and sound manner and, therefore, the banks did not require supervisory intervention.

Continuous off-site supervision ensures banking institutions comply with various regulations and, therefore, strives to assess the financial soundness of these institutions. The Bank also conducted ongoing analyses of monthly and quarterly statutory returns in order to monitor the financial soundness of individual banking institutions and the stability of the banking industry as a whole. The analysis team also continued with its quarterly meetings with the executive management of banking institutions in order to address issues of concern to the regulator, and certain aspects of the risk management within these institutions. The analysis performed on the financial data for the period ended 31 December 2008 indicates a sound and stable banking sector.

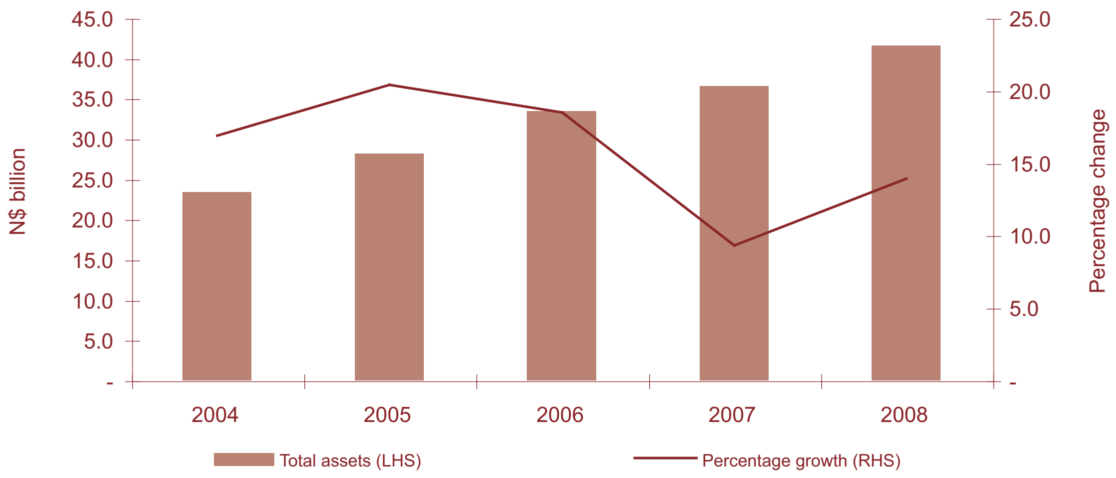
PERFORMANCE OF THE BANKING SECTOR

ASSETS

The Banking sector's assets grew by 13.9 percent, compared with the previous year's growth of 9.3 percent. This resulted in a N$5.1 billion increase in total assets, to reach N$41.6 billion at the end of December 2008. The significant growth was due to net loans and advances increasing by N$3.4 billion, cash and balances with banks being augmented by N$0.6 billion and the trading and investment portfolio rising by N$0.9 billion.

Gross loans and advances during the year under review recorded an increase of 12.3 percent in comparison with the previous year, mainly as a consequence of the growth of N$1.7 billion (11.9 percent) in mortgage loans. Instalment sales (10.5 percent) and overdrafts (14.7 percent) also recorded marginal growth compared with the previous reporting period. Fixed income securities available for sale increased by N$1.5 billion from 31 December 2007 to 31 December 2008, and resulted in a notable growth of 20.2 percent in the trading and investment portfolio at the end of 2008. Chart D.1 depicts the banking sector's assets, which continued to grow at a steady pace from 9.3 percent to 13.9 percent during the review period.

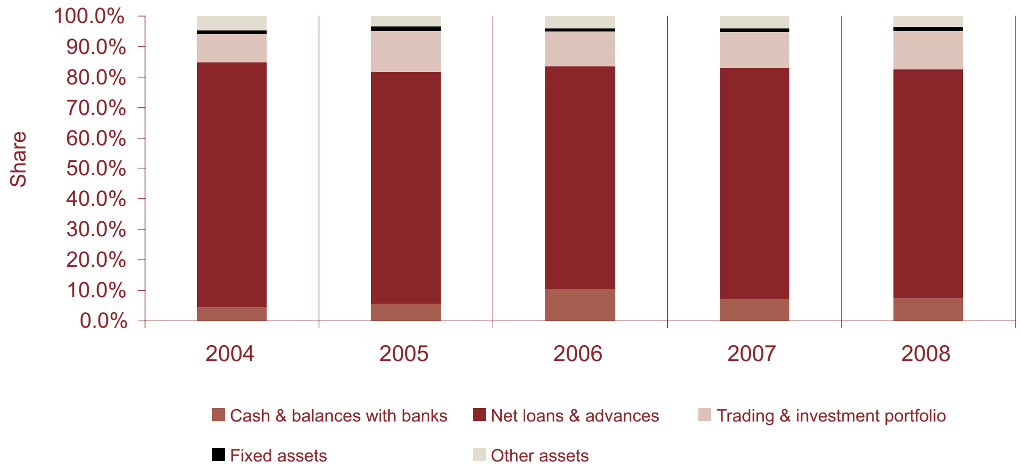
Chart D.1: Total asset growth



[22]The risk-based supervision methodology was discussed in depth in the Bank's 2005 and 2006 Annual Reports.

Net loans and advances remained the largest portion – 74.8 percent – of total banking sector assets in 2008. The share of cash and balances from banks and the trading and investment portfolio in total assets increased to 7.8 percent and 12.7 percent, respectively, in 2008, compared with 7.1 percent and 12.0 percent, respectively, during 2007. The remaining asset mix consists of other assets at 3.5 percent, and fixed assets at 1.2 percent. Chart D.2 shows that the composition of total assets remained almost unchanged in relation to the previous year.

Chart D.2: Composition of total assets



FUNDING STRUCTURE

Charts D.3a and D.3b compare the year-on-year composition of liabilities and capital. The proportionate share of non-bank funding increased by 2.3 percentage points to 81.4 percent as at the end of December 2008, in comparison with the 2007 levels. Other increases were noted under interbank deposits, debt instruments, and capital and reserves. On the other hand, borrowings, foreign currency deposits and other liabilities decreased during 2008.

Chart D.3a: Composition of liabilities and capital as at 31 December 2008

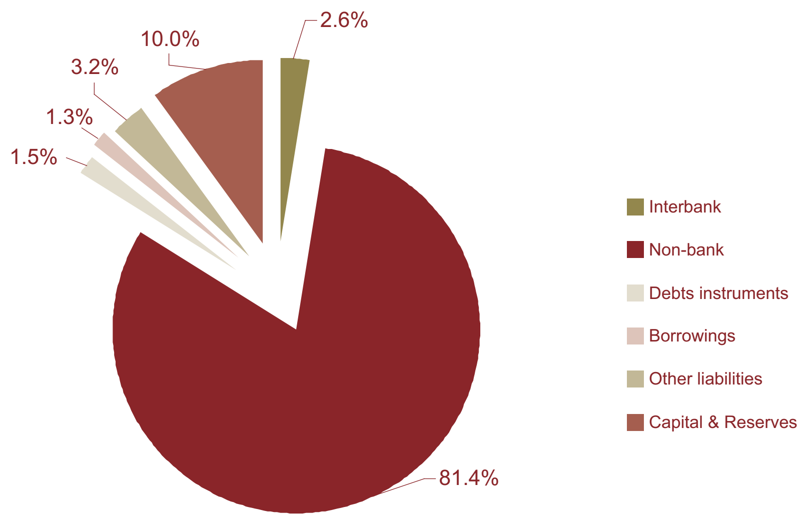
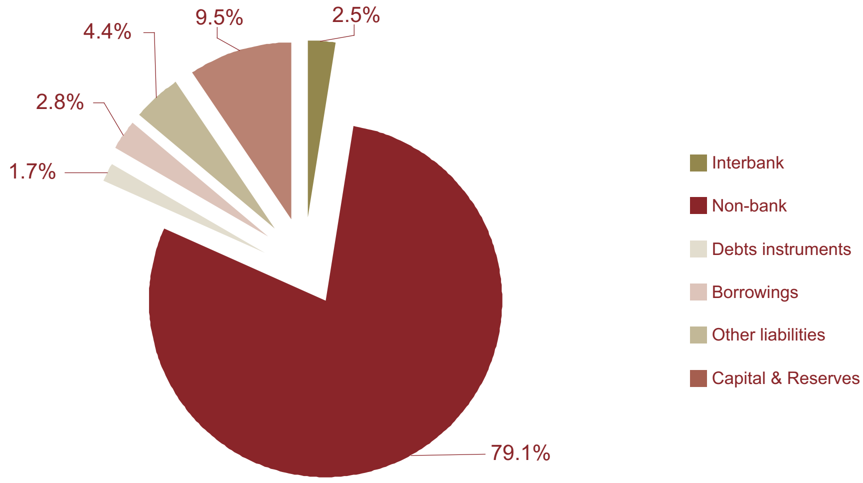


Chart D.3b: Composition of liabilities and capital as at 31 December 2007



An analysis of non-bank deposits recorded an increase of N$5.0 billion from 2007 to N$33.8 billion as at 31 December 2008. These increases were evident in demand deposits, savings deposits, and negotiable certificates of deposit, which increased by 20.9 percent, 21.4 percent and 41.4 percent, respectively. As in the past four years, demand deposits continued to dominate the composition of non-bank deposits, as can be viewed from Chart D.4. Demand deposits increased their share in non-bank funding from 48.3 percent to 49.9 percent, while the share of fixed and notice deposits in non-bank deposits declined from 28.9 percent in 2007 to 26.1 percent in 2008. The proportionate share in respect of negotiable certificates of deposit was 17.6 percent, while the share in respect of savings deposits was 4.6 percent. On average, a fairly stable picture has been maintained as regards the composition of non-bank deposits for the past five years.

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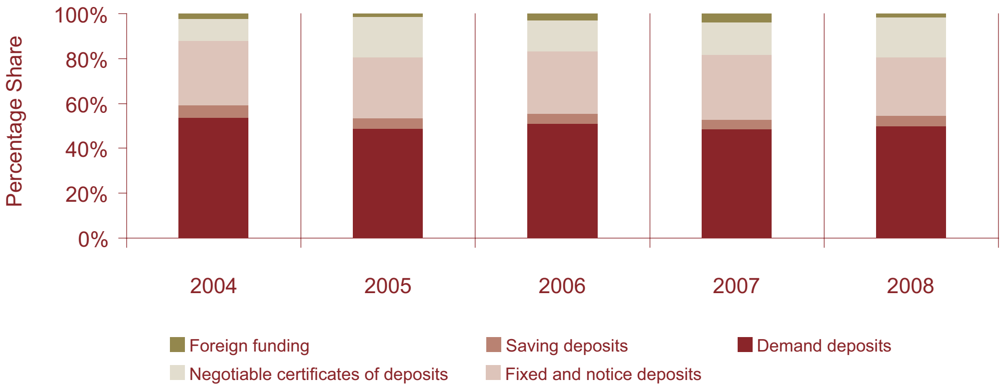
Chart D.4: Composition of non-bank deposits



CAPITAL ADEQUACY

In terms of the Banking Institutions Determination 5 (BID 5) relating to capital adequacy, banking institutions in Namibia are required to keep a minimum capital adequacy ratio of 10 percent, of which 7.0 percent should represent Tier 1 risk-based capital. In addition, banking institutions are required to keep a minimum Tier 1 leverage ratio of 6.0 percent in order to ensure that capital levels can accommodate a growth in assets. Maintaining adequate capital provides not only a cushion against the risks associated with growth in the banking institutions' asset base, but also a solid support for the expansion of operational activities.

In comparison with 2007 levels, the total qualifying capital of the banking industry increased by 12.0 percent to N$4.4 billion during 2008, while risk-weighted assets increased by 14.4 percent to N$28.2 billion in the review period. The significant increase in total qualifying capital is mainly attributable to the 14.1 percent increase to N$3.3 billion in respect of Tier 1 capital, whilst Tier 2 capital had increased by 5.8 percent by 31 December 2008 in comparison with 2007 levels. The significant augmentation of Tier 1 capital resulted from the 29.8 percent increase in reserves retained at the financial year ends of all banking institutions during the year, and continued to constitute the major portion of total qualifying capital.

The sector maintained the Tier 1 leverage ratio and the risk-weighted capital ratio above the required prudential limits at 7.9 and 15.5 percent, respectively, for the year under review. However, the Tier 1 leverage ratio remained static in comparison with the preceding year.

Banking institutions in general remained well capitalised throughout 2008, and no instance of non-compliance with the capital requirements was reported. Chart D.5 shows Tier 1 capital relative to total qualifying capital, and the trend in the capital adequacy ratio for the banking sector over the past five years.

Chart D.5: Capital adequacy

CREDIT RISK

Credit risk refers to the probability that a bank's borrower or counterparty may fail to meet its obligations in accordance with agreed terms. Credit risk is the most prominent of the risks faced by banking institutions and banking systems today. The exposure to credit risk continues to be the leading source of tribulation in banking institutions worldwide and, therefore, banking institutions should be cognisant of the need to have measures in place to monitor and control credit risk. Adequate capital should be held against this risk, and banking institutions should ensure that it is adequately compensated for risks incurred.

The management of credit risk by the banking sector remained satisfactory during the year under review. The sector held reasonable provisions for the growing number of non-performing loans, although these could escalate as a result of adverse developments in the mining sector.

LOAN DIVERSIFICATION

At the end of 2008, the banking sector granted the largest portion of credit – amounting to N$15.7 billion – in the form of mortgage loans, which represents 49.2 percent of the sector's total loans and advances. Furthermore, the banking sector extended credit in the form of instalment sales and overdrafts, representing 17.2 and 17.7 percent, respectively, of the total figure for loans and advances. The remaining 15.9 percent was distributed among fixed-term loans, personal loans, investment in preference shares, and other categories of loans. The above distribution indicates a high level of loan concentration to the property segment. Closer monitoring of the mortgage bond market is warranted, therefore.

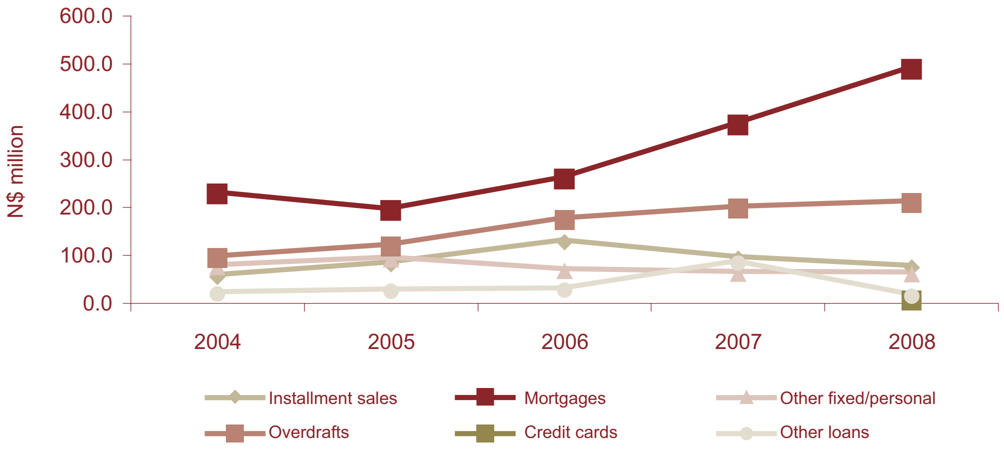
ANALYSIS OF NON-PERFORMING LOANS

The banking sector's asset quality remained satisfactory during the year under review although overdue and non-performing loans increased as a result of adverse developments in the economic environment, such as rising borrowing costs and inflation.

In comparison with 2007 levels, overdue loans increased significantly, i.e. by 51.3 percent, to N$1.7 billion by the end of December 2008, while non-performing loans increased by 5.5 percent to N$854.7 million. Non-performing loans constituted 50.7 percent of overdues as at 31 December 2008 compared to 72.6 percent in 2007. In terms of the composition of non-performing loans, non-performing mortgages continued to top the list as it constituted 57.1 percent of total non-performing loans followed by overdrafts and instalment sales at 24.6 and 8.7 percent respectively as illustrated in Chart D.6.

Non-performing mortgages increased by 31.4 percent, followed by overdrafts at 5.8 percent, while a decline was observed in the annual growth of the rest of the non-performing loan categories. Non-performing mortgages represented 3.1 percent of total mortgage loans in the banking sector as at 31 December 2008 compared to 2.6 percent during 2007.

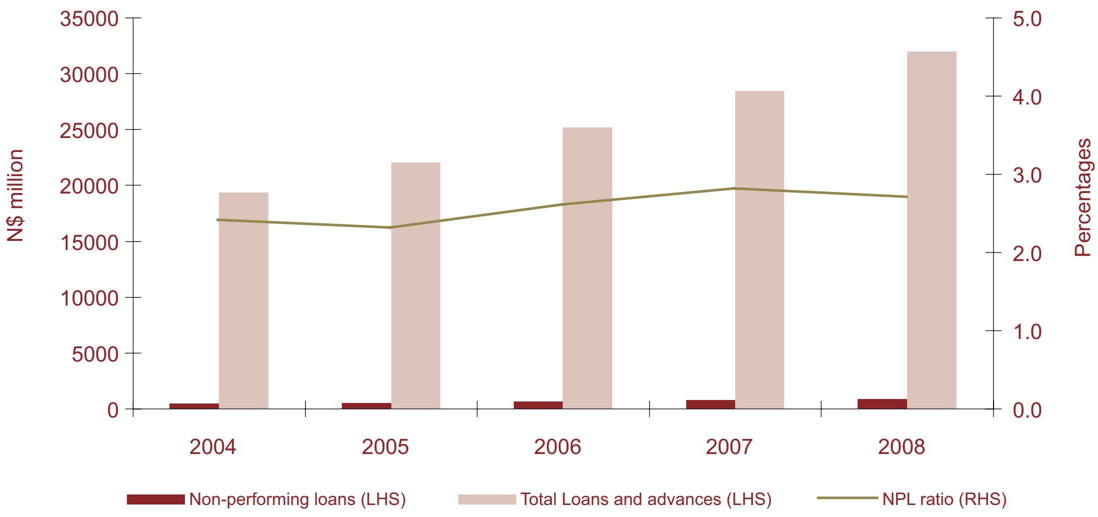
Chart D.6: Non-performing loans by type



Growth in loans and advances during 2008 outpaced the growth in non-performing loans, resulting in a decrease in the non-performing loan ratio (the ratio of non-performing loans expressed as a percentage of the loan book) from 2.8 percent in 2007 to 2.7 percent in 2008. The ratio is still considered to be within the acceptable range.[23] On an individual basis, all banking institutions reported a non-performing loan ratio below 5 percent throughout 2008, with the exception of one banking institution that was above the 5 percent level at 30 September 2008. Chart 3.7 depicts the comparison between non-performing loans and total loans.

[23]In terms of the CAMELS rating system, the NPL ratio of less than 5 percent is considered to be very low.

Chart D.7: Non-performing loans relative to total loans



ADEQUACY OF PROVISIONS

The Bank of Namibia prescribes that all banking institutions make sufficient provision for possible defaults. In terms of the minimum regulatory provisioning requirements outlined in the Determination on Asset Classification, Suspension of Interest and Provisioning (BID-2), the banking sector made adequate provision in this regard throughout 2008.

In absolute amounts, specific provisions stood at N$285.2 million during 2008, as opposed to N$299.6 million in 2007, representing a decrease of 4.8 percent. Expressed as a percentage of non-performing loans, specific provisions declined from 37.0 percent a year ago to 33.4 percent in 2008, which is below the international benchmark of 40 percent. The deteriorating ratio was as a result of a decline in specific provisions, while non-performing loans increased. The ratio of total provisions to total loans decreased marginally to 2.0 percent in 2008, from 2.1 percent a year ago.

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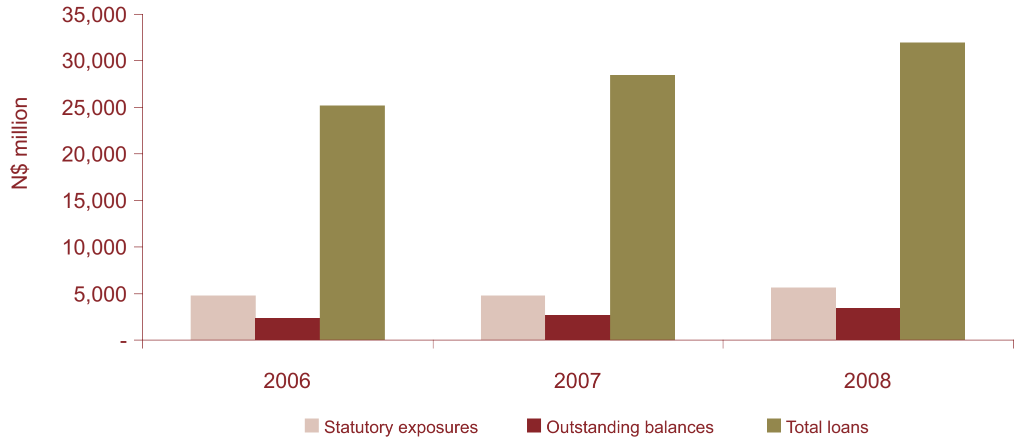
STATUTORY LARGE EXPOSURES[24]

In terms of the Determination on Limits on Exposures to Single Borrowers (BID-4), exposures granted to a single person or group of related persons which, on aggregate, equal or exceed 10 percent of qualifying capital (referred to as large exposures) should not exceed, in total, 800 percent of qualifying capital, unless exempted in terms of BID-4.

During the year under review, the value of large exposures increased by 17.9 percent in comparison with the year before, and stood at N$5.7 billion. Consequently, the ratio of large exposures to total loans increased from 16.8 percent in 2007 to 17.7 percent as at 31 December 2008. Large exposures expressed as a percentage of qualifying capital equalled 129.6 percent, increasing from 122.3 percent in 2007, and is well within the limit of 800 percent of capital funds. Cases of non-compliance with the individual 30-per-cent limit by some banking institutions were observed, and appropriate remedial actions were enforced. Total loans and advances increased during 2008, while statutory large exposures remained relatively unchanged during the review period. Furthermore, the status of most large exposures was current and, thus, regarded as performing. Chart D.8 compares outstanding balances and balances utilised with total loans and advances.

[24]The term large exposures refers to all loans or credit facilities to a single borrower or a group of related borrowers that are equal to or exceed 10 per cent of the banking institution's capital funds (regulatory capital). The term statutory large exposures, on the other hand, refers to the higher of the approved limit and the outstanding balance.

Chart D.8: Statutory large exposures relative to total Loan Book



INTERBANK EXPOSURES

The Determination on Interbank Placements (BID-15) limits the occurrence of contagion risk when a bank fails or is otherwise unable to repay its obligations to other banks in a timely manner. Exposures with a settlement period of seven calendar days or less to a single counterparty bank are limited to 50 percent of a bank's qualifying capital, while exposures with a settlement period of more than seven calendar days to a single counterparty bank are limited to 30 percent of a bank's capital funds. Individually, all banks complied with both the 30- and 50-per-cent limits for the period under review.

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LIQUIDITY

Liquidity is a banking institution's ability to fund, at acceptable costs, increases in assets and meet financial obligations as they fall due. Liquidity is also vital to any banking institution's existence. Therefore, the management of liquidity is one of the most important requirements of banks, because a liquidity shortfall at one banking institution can easily have a systemic effect – as has amply been demonstrated around the world in the current global economic crisis.

As at 31 December 2008, the banking sector held liquid assets amounting to N$4.2 billion, where its assets amounted to N$3.4 billion in 2007. At the end of 2008, banking institutions were only required to hold a minimum of N$3.5 billion in liquid assets. The banking sector has maintained their liquid assets above the required minimum for the past five years. At the end of 2008, the sector held excess liquid assets to the tune of N$646.7 million, compared with an excess of N$273.6 million in 2007 (see Chart D.9).

Liquid assets, expressed as a percentage of total assets, increased from 9.2 percent in 2007 to 10.1 percent during 2008. The loans-to-deposits ratio decreased from 98.6 percent to 94.5 percent at the end of 2008, indicating that banking institutions continued to be funded by core deposits. Loans expressed as a percentage of assets decreased to 76.9 percent during 2008, from 78.0 percent the year before, but were still below the international benchmark of 75 percent.

Chart D.9: Statutory liquid assets

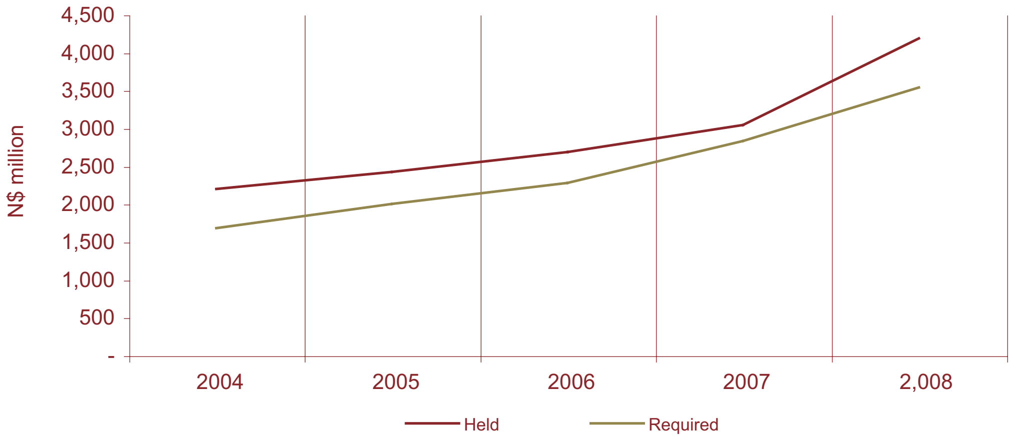

Chart D.10 shows that Treasury bills and Government bonds continued to have the largest share – 43.2 percent – in the composition of total liquid assets, which is a further reduction from the 61.7 percent and 60.2 percent reported in 2007 and 2006, respectively. During the year under review, the Treasury bills reduced their share of total liquid assets held, as the share declined by 1.6 percent to N$1.8 billion as at the end of December 2008, while stocks, securities, bills and bonds increased by 37.8 percent to N$647.1 million for the same period in comparison with 2007 figures. The securities issued by the Bank of Namibia and held by banking institutions increased by 71.3 percent to N$667.5 million, while clearing and call account balances increased significantly from N$11.5 million to N$278.3 million as at the end of December 2008.

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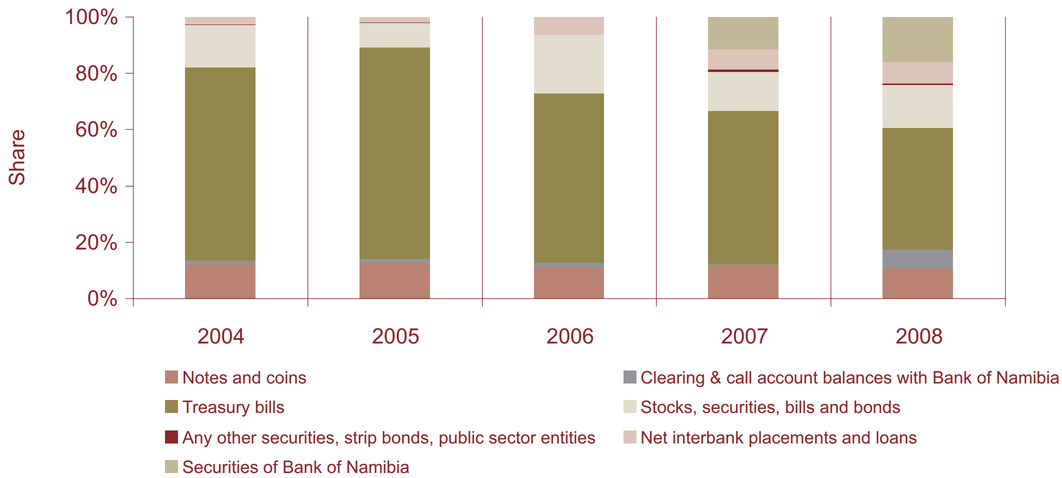
Chart D.10: Composition of liquid assets

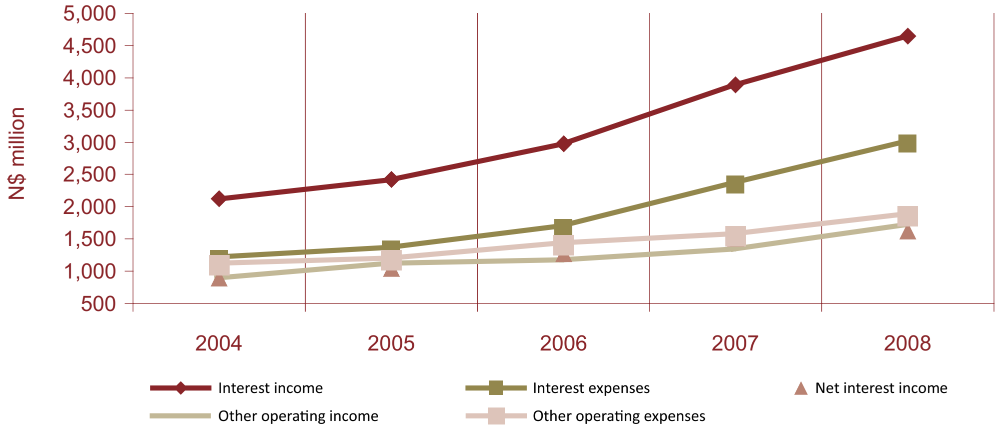


PROFITABILITY AND EARNINGS

The profitability of banks remained favourable during 2008, due to the significant growth of 13.9 percent in assets in relation to 2007 levels. The total income at the end of the current year increased by 17.4 percent to N$3.3 billion, compared with N$2.8 billion at the end of December 2007. Interest income generated from loans and advances increased by 19.4 percent to N$4.6 billion, whereas 31.1 percent annual growth had been measured at the end of December 2007. Interest expenses during 2008 remained high year-on-year, and increased by 27.3 percent to N$3.0 billion, which outpaced the annual growth in interest income.

The growth in interest income during 2008 is attributable to interest earned on mortgage loans, overdrafts and instalment sales. When expressed as a percentage of total loans, interest income accounted for 14.4 percent in 2008, compared with 13.5 percent the preceding year. The high interest expense is ascribed to interest paid on demand deposits, fixed and notice deposits, and negotiable certificates of deposit. Even though the year-on-year increase in interest expenses is higher than the increase in interest income, the absolute numbers indicate that the increase in interest income was higher than interest expenses. These changes resulted in an increase in net interest income of 7.3 percent compared with 2007, to a total of N$1.6 billion, as depicted in Chart D.11.

Chart D.11: Key Income Statement indicators



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Total banking sector operating income rose by 29.0 percent at the end of December 2008 compared to 14.1 percent recorded in 2007, as a result of increases in trading, investment and fee income. Total operating income stood at N$1.7 billion, and accounted for 50.9 percent of total income, compared with 46.3 percent in 2007. Total operating expenses increased by 19.6 percent to N$1.8 billion in 2008, compared with a 10.0 percent increase a year ago. The growth in operating expenses indicates a further escalation if compared with the preceding year's figures; nevertheless, in absolute terms, the growth in operating expenses remained at a lower level than the growth in total income.

The rise in operating expenses is mainly the result of an increase of 49.9 percent in administration and other overhead costs, as well as an increase of 18.3 percent in staff costs. Administration and other overhead costs represented 27.7 percent of total operating expenses in 2008, while staff costs contributed 50.5 percent to total operating expenses. In line with the significant increase reported in non-performing loans, provision charges increased by N$22.8 million to N$145.1 million for the year under review.

As a result of a faster growth in total income than in expenses, the banking sector posted after-tax profits of N$912.8 million, signifying an upsurge of 14.8 percent for 2008 in relation to the 47.0 percent growth recorded in 2007. The return on assets remained static at 2.2, while the return on equity decreased to 22.6 percent from the 23.7 percent recorded in the previous year.

Chart D.12 indicates the efficiency of the banking sector as measured by the cost-to-income ratio, which expresses total operating expenses as a percentage of total income. The cost-to-income ratio deteriorated from 54.9 percent in 2007 to 55.9 percent in 2008, and stood below the international benchmark of 60 percent.

Chart D.12: Efficiency indicators of the banking sector

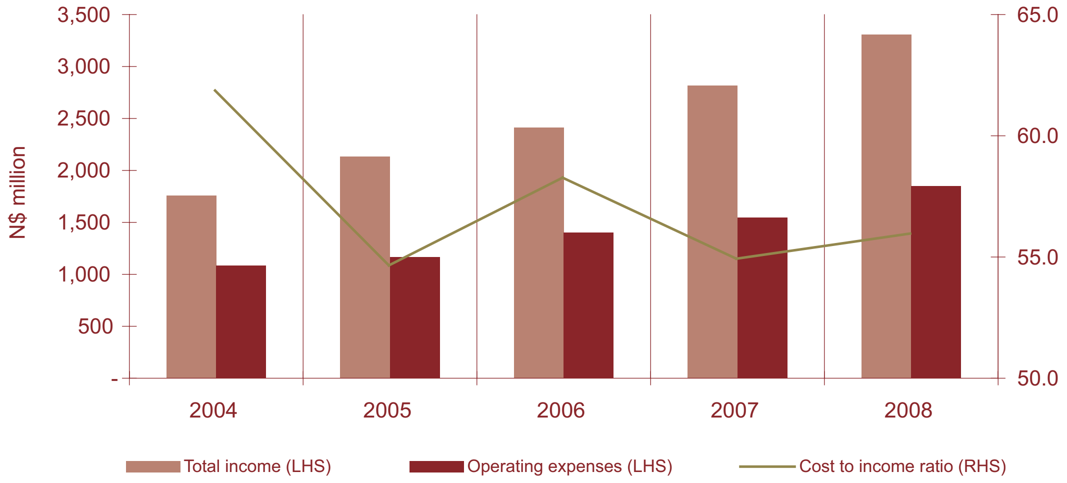
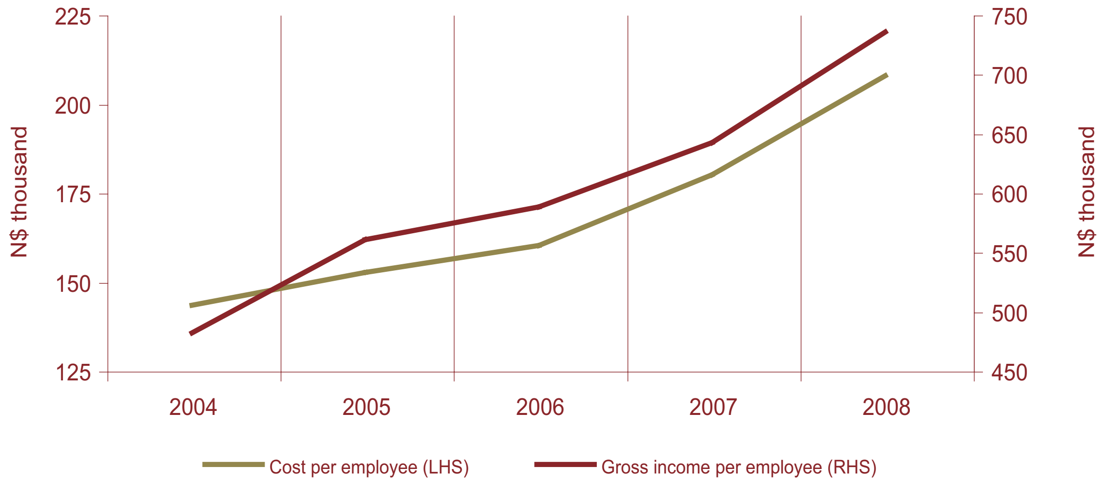


Chart D.13 depicts the productivity of the banking sector, as measured by the relation between expenditure on employees and the amount of income generated. The gross income generated by employees increased by 14.5 percent to N$734,000 as at the end of December 2008, while the costs per employee increased by 15.4 percent to N$207,000. This widened the gap to N$527,000 in 2008, as opposed to N$462,000 the preceding year in other words, banks were more productive in 2008 than in 2007.

Chart D.13: Productivity



SUSPENSION OF CHEQUE ACCOUNT FACILITIES

The credibility of the payment system is of supreme importance, because this ensures its users can have confidence in the system. In order to have a safe and sound payment system in Namibia, banking institutions are required, amongst other things, to suspend the cheque account facility of any customer in respect of whom five cheques are referred to drawer due to insufficient funds over a period of three months. This is done in accordance with the provision of the Determination on the Compulsory Suspension of Cheque Accounts (BID-12).

During the period under review, both the value of cheques returned and the number of cheque account facilities suspended increased significantly. The value of cheques returned increased by N$12.2 million in 2007 to N$21.7 million in 2008, which is the highest recorded in a period of three years, while a total number of 511 cheque accounts were suspended compared with 231 the preceding year. This deterioration can also be attributed to high inflation and interest rates, which have diminished the disposable income of households and narrowed the profit margins of businesses.

FRAUD

Fraud and other economic crimes continued to cause financial losses to banking institutions, as in the Determination on Fraud and other Economic Crime (BID-9). The amounts involved in such crime declined by N$59.5 million to N$4.3 million in 2008. Of the N$4.3 million reported for 2008, an amount of N$3.3 million was lost – which represents a slight increase of 2.7 percent compared to 2007. The most common forms of economic crime are ATM fraud and cheque fraud. Chart D.14 depicts the trend in amounts involved in and lost through fraudulent activities.

Chart D.14: Fraudulent activities

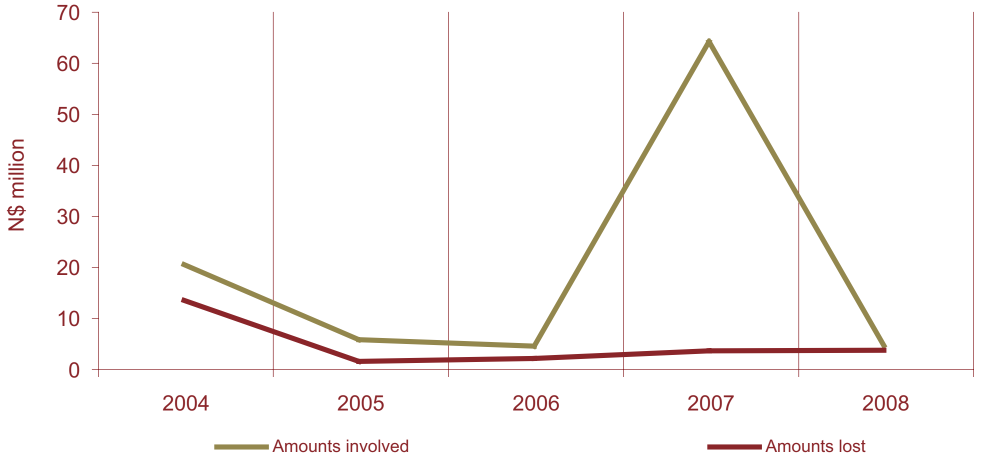


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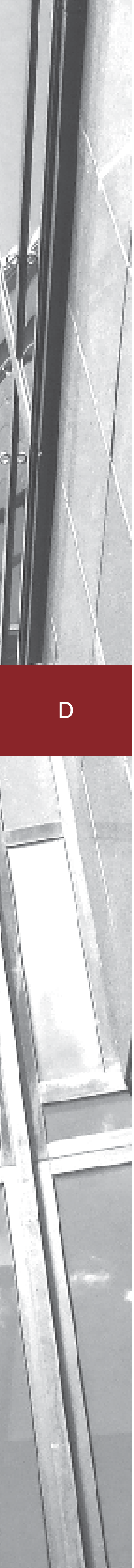
Table D.1: Composition of Balance Sheet (N$ ‘000)

	2003	2004	2005	2006	2007	2008
Interbank Funding	1,743,328	2,161,150	2,669,462	928,008	919,015	1,084,909
Non-bank Funding:	14,265,027	17,242,835	21,074,464	26,406,160	28,877,379	33,834,963
Demand	7,620,721	9,258,130	10,231,518	13,477,286	13,965,306	16,885,676
Savings	916,670	971,228	1,040,845	1,155,552	1,292,557	1,568,755
Fixed & Notice	4,782,113	4,920,540	5,719,284	7,364,749	8,354,293	8,810,661
Negotiable Certificate of Deposits	945,523	1,667,172	3,778,839	3,650,012	4,210,709	5,953,675
Foreign Funding*	793,691	425,765	303,978	758,561	1,054,514	616,196
Loans under repurchase agreement	-	-	-	-	-	-
Debt Instruments issued	152,433	224,164	351,386	351,047	607,472	618,760
Other borrowings	61,115	333,899	437,878	1,502,370	1,027,722	548,617
Other liabilities	705,552	860,360	908,042	1,148,059	1,603,654	1,329,148
Capital & Reserves	2,296,691	2,576,895	2,736,956	3,061,660	3,469,551	4,146,311
TOTAL FUNDING	**20,017,837**	**23,399,303**	**28,178,188**	**33,397,304**	**36,504,793**	**41,562,708**
Cash and Balances **	646,521	1,082,454	1,588,923	3,480,774	2,585,519	3,221,665
Interbank Loans and Advances**	582,343	51,148	57,210	534	2,479	4,667
Foreign currency loans and advances	504,705	376,192	143,330	245,883	21,426	69,379
Instalment debtors and leases	2,836,404	3,272,334	3,982,749	4,664,794	4,970,883	5,492,819
Mortgage loans	6,588,078	7,882,166	9,542,388	12,363,452	14,054,262	15,733,111
Other fixed term loans***	1,990,105	1,127,354	1,144,884	1,400,953	2,056,216	2,115,341
Personal loans		1,489,517	1,705,244	1,681,771	1,631,226	1,915,746
Overdraft	3,131,192	3,356,426	4,798,845	4,308,664	4,932,251	5,656,801
Credit card debtors	-	-	-	-	-	231,142
Acknowledgement of debts discounted	258,065	262,138	21,931	13,499	9,496	4,756
Loans granted under resale agreement	-	-	-	-	-	-
Investment in Preference Shares	161,843	385,907	332,057	279,087	311,582	325,638
Other loans and advances	857,568	1,160,311	285,874	234,555	472,564	426,146
Total loans and advances	16,910,303	19,363,493	22,014,512	25,193,192	28,462,385	31,975,546
Less: Specific provisions	292,848	240,936	181,661	300,292	299,614	285,241
Less: General provisions	131,929	209,545	265,931	293,980	302,444	346,605
Less: Interest- in- suspense	133,730	138,599	148,827	169,228	202,408	252,212
Investment portfolio	1,741,711	2,179,152	3,790,696	3,804,670	4,377,890	5,263,757
Trading securities	-	1,203,974	1,519,897	1,676,184	1,586,081	1,812,178
Available for sale securities	-	460,697	1,170,360	1,071,344	1,792,624	3,260,328
Held to maturity securities	-	510,950	1,088,313	1,046,340	969,454	163,297
Unconsolidated subsidiaries, associates	-	3,531	12,126	10,802	29,731	27,954
Property, plant and equipment	291,783	300,588	425,501	360,571	470,877	519,567
Other assets	986,026	1,062,696	954,975	1,321,597	1,412,590	1,466,231
TOTAL ASSETS	**20,017,837**	**23,399,303**	**28,178,188**	**33,397,304**	**36,504,795**	**41,562,708**
Average Assets	**18,894,309**	**21,708,570**	**25,788,746**	**30,787,746**	**36,331,599**	**40,968,062**
Average Equity	**1,896,550**	**2,436,793**	**2,656,926**	**2,899,308**	**3,349,615**	**4,047,128**

* Effective from January 2004, the balance sheet was re-designed and foreign funding was made part of non-bank funding.
** Effective from January 2004, cash and balances with bon included balances held with other banks, hence the increase in cash & balances and the decrease in interbank loans and deposits
*** Before 2004, there was no provision made for personal loans category on the balance sheet return.

D



D

Table D.2: Capital adequacy (N$ '000)

	2004	2005	2006	2007	2008
Tier 1 capital	**2,060,257**	**2,185,842**	**2,514,952**	**2,908,162**	**3,317,663**
Paid up shares	22,755	22,755	23,672	23,822	23,822
Share premium	1,609,221	1,609,221	1,641,249	1,791,099	1,791,099
Reserves	804,953	917,424	1,175,972	1,389,436	1,803,218
Current Unaudited losses	-	-	-	-	28,325
Less: Intangible Asset	376,672	363,558	325,941	296,195	272,151
Tier 2 capital	**441,940**	**650,945**	**688,176**	**1,041,902**	**1,048,428**
Subordinated-term Debt	247,855	375,127	375,473	635,478	635,878
General Provisions	193,992	265,931	293,980	376,315	376,315
Revaluation Reserves	93	9,887	18,723	30,109	36,235
Investment in unconsolidated subsidiaries	-	-	-	-	-
Total Qualifying capital	**2,502,197**	**2,836,787**	**3,203,128**	**3,950,064**	**4,366,091**
Risk-weighted Assets	**16,270,606**	**19,438,859**	**20,223,954**	**24,539,532**	**27,135,383**
10% risk-weighted*	44,633	58,298	33,701	36,102	70,841
20% risk-weighted	162,705	210,112	484,760	345,820	410,698
50% risk-weighted	3,447,142	4,496,084	3,198,448	6,139,432	6,655,921
100% risk-weighted	12,616,126	14,674,365	16,507,046	18,018,178	19,997,923
Gross Assets*	**23,673,721**	**28,320,289**	**33,683,346**	**36,861,109**	**41,989,827**

* Prior to 2004, there was no provision for 10% risk-weighting and there was no requirement to report Gross Assets

Table D.3: Analysis of overdue and non-performing loans (N$ '000)

		2004	2005	2006	2007	2008
Overdue loans*		**640,004**	**807,868**	**850,767**	**1,115,118**	**1,687,290**
Amounts overdue:	<1 month	1,846	71,942	53,937	59,690	450,706
Amounts overdue:	1 to < 3 months	178,731	270,105	170,317	323,235	381,928
Amounts overdue:	3 to < 6 months	161,836	117,618	118,413	158,931	149,151
Amounts overdue:	6 to <12 months	141,211	107,266	160,425	223,759	199,538
Amounts overdue:	12 to <18 months	131,593	166,515	256,622	267,145	343,477
Amounts overdue:	18 months and above	24,787	74,422	91,053	82,358	162,490
Total Non-performing loans		**472,928**	**512,179**	**657,827**	**810,095**	**854,655**
Instalment sales		54,765	81,413	128,047	93,782	74,607
Mortgages		227,755	194,042	259,574	371,694	488,272
Other fixed/ Personal		76,103	92,671	68,081	61,653	61,419
Overdraft		94,519	118,623	174,276	198,459	209,924
Other loans & advances		19,786	25,430	27,849	84,507	14,446
Credit cards		-	-	-	-	5,987
Realizable Security		273,517	279,830	351,473	441,102	477,079
Specific Provisions		240,936	181,661	300,292	299,613	285,240

D

Table D.4: Composition of Income Statement (N$ '000)

	2004	2005	2006	2007	2008
Interest Income	2,077,961	2,382,863	2,938,521	3,852,097	4,600,899
Interest Expenses	1,182,152	1,334,367	1,668,204	2,340,088	2,977,801
Interest Margin	895,809	1,048,496	1,270,317	1,512,009	1,623,098
Less: Provisions	71,344	80,460	222,492	122,232	145,062
Total operating Income	861,861	1,088,449	1,143,845	1,305,083	1,684,148
Trading Income	118,584	90,933	94,284	115,569	207,724
Investment Income	129,172	224,340	251,877	356,148	464,180
Transaction-based Fee Income	558,897	645,817	662,504	714,924	845,094
Knowledge-based Fee Income	16,379	29,421	47,343	48,551	67,694
Other income	38,829	97,938	87,837	69,891	99,456
Total Income	**1,757,670**	**2,136,945**	**2,414,162**	**2,817,092**	**3,307,246**
Total Operating Expenses	**1,086,664**	**1,166,873**	**1,405,661**	**1,546,392**	**1,849,510**
Staff costs	523,278	581,564	657,140	789,299	933,934
Administration & Overheads	295,609	270,165	341,133	342,256	512,985
Depreciation and amortisation	128,485	116,851	127,222	113,203	81,937
Occupancy expenses	91,451	92,563	113,468	125,639	132,302
Other operating expenses	47,841	105,730	166,698	175,995	188,352
Net Income Before Tax	**599,662**	**889,612**	**786,009**	**1,148,468**	**1,312,674**
Taxation	195,049	299,502	244,848	353,191	399,799
Net Income After Tax	**404,613**	**590,110**	**541,161**	**795,277**	**912,875**

Table D.5: Selected key ratios

	2004	2005	2006	2007	2008
Capital					
Tier 1 Leverage	8.7%	7.7%	7.5%	7.9%	7.9%
Tier 1 Risk-weighted Capital	12.7%	11.2%	11.2%	11.8%	11.8%
Total Risk-weighted Capital	15.4%	14.6%	14.2%	15.8%	15.5%
Asset Quality					
Non-performing loans to Total loans	2.4%	2.3%	2.6%	2.8%	2.7%
Overdue loans to Total loans	3.3%	3.7%	3.4%	3.9%	5.3%
Total Provisions to Total loans	2.3%	2.0%	2.4%	2.1%	2.0%
Specific Provisions to Non-performing loans	50.9%	35.5%	45.6%	37.0%	33.4%
Earnings					
Return on Assets	1.9%	2.3%	1.8%	2.2%	2.2%
Return on Equity	16.6%	22.2%	18.7%	23.7%	22.6%
Net Interest Margin	4.1%	4.1%	4.1%	4.2%	4.0%
Other Operating Income: Total Assets	3.7%	3.9%	3.4%	3.6%	4.1%
Other Operating Income: Total Income	49.0%	50.9%	47.4%	46.3%	50.9%
Other Exp: Total Income	61.8%	54.6%	58.2%	54.9%	55.9%
Liquidity					
Liquid Assets / Total Assets	10.4%	9.5%	9.1%	9.3%	10.1%
Liquid Assets / Average total liabilities	12.1%	11.8%	10.7%	10.9%	11.8%
Total Loans / Total Assets	82.8%	78.1%	75.4%	76.1%	76.9%
Total Loans / Total Deposits	115.1%	106.0%	98.2%	95.4%	96.3%
Growth Rates					
Total Assets	16.9%	20.4%	18.5%	9.3%	13.9%
Total Qualifying Capital	23.8%	13.4%	12.9%	23.3%	10.5%
Tier 1 Capital	24.1%	6.1%	15.1%	15.6%	14.1%
Total Loans	14.5%	13.7%	14.4%	13.0%	12.3%

PART E
STATISTICAL APPENDIX

PART E

STATISTICAL APPENDIX

STATISTICAL APPENDIX

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 non residents, 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 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
The current account of the balance of payments covers all transactions (other than those in financial account) 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 exclude 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 affect 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 non residents: (i) those involving compensation of employees, which is paid to non-resident workers (e.g. 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 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 Statistics

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. The Bank rate is the cost of credit to the banking sector and therefore eventually affects the cost of credit to the general public.

Depository Corporations 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.

Narrow Money Supply (M1)
Narrow Money Supply (M1) is defined to include currency in circulation and transferable deposits of resident sectors, excluding Central Government and depository corporations.

Broad Money Supply (M2)
Broad Money Supply (M2) is defined to include currency outside depository corporations, transferable and other deposits in national currency of the resident sectors, excluding deposits of the Central Government and those of the depository 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)
The ODC sub-sector consists of all resident financial corporations (except the Central Bank) and quasi-corporations that are mainly engaged

in financial intermediation and that issue liabilities included in the national definition of broad money. 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, 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 (e.g. time deposits).

Dual-listed Companies
Refer to those companies listed and trading on two stock exchanges, 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 in terms of NSX
Only local (Namibian) companies listed on the NSX.

Market Capitalisation
Market Capitalisation is the total market value of a company's issued share capital. It is equal to the number of fully paid shares listed on the NSX multiplied by the share price.

Market Turnover
Volume of shares traded on the NSX multiplied by the share price.

Market Volume
The number of shares traded on the NSX.

Money Market rate
The money market rate refers to the inter-bank interest 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 in terms of NSX
Refers to all companies, local as well as foreign, listed on the NSX.

Prime rate
The rate of interest charged by Other Depository Corporations (ODC's) for loans made to its most credit-worthy business and industrial customers; it is a benchmark rate 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 rate of inflation for Namibia, is the real interest rate.

ADVANCE NOTE: MONEY MARKET UNIT TRUST AND OTHER FINANCIAL CORPORATIONS SURVEY

The Bank of Namibia (BoN) has made substantial improvement in the quality of monetary and financial statistics over the past few years. In particular, data for the Central Bank and other depository corporations now largely meet the prescribed international standards as per the Monetary and Financial Statistics Manual (IMFM2000). The results of the improved standards can be measured in terms of the Standard Reporting Forms (SRFs) for the BoN and other depository corporations which the Bank produces and transmits regularly to the IMF.

However, there were still some outstanding issues related to the requirement of the best international practice, but these are small compared to the progress that has been made thus far. The main outstanding improvements in this regard are-

- Inclusion of money market unit trust companies' (MMU) liabilities, in the broad definition of money supply
- Wider coverage of other financial corporations which includes long and short-term insurance companies, pension funds, Medical aid Funds, Developments Finance Institutions', microfinance companies.

To address these issues, BoN, through the Research Department commissioned two projects, namely the MMUs and OFCs projects. The primary objective of the projects are to expand and strengthen the definition of broad money supply (M2) by including the liabilities of MMUs in the calculation of M2. The inclusion of the MMUs liabilities into that of the ODCs is based on the premises that MMUs liabilities have characteristics similar to that of the ODC liabilities. Following a survey that was conducted by the Bank on the MMUs in 2004, it was found that their liabilities are liquid and hence possesses a high degree of moneyness. The moneyness of the MMUs liabilities has implications on monetary policy formulation and therefore, BoN treats the availability of such data with urgency.

The inclusion of money market unit trust would bring Namibia in line with the best international code of practice on statistical methodology. It will also enhance data quality and allow analysis and comparisons of policies with other economies world wide. It is, however, important to observe the fact that definition of the overall monetary aggregates are subject to change, now and then, as behavior of certain components could change. It is therefore important for BON to consistently monitor the dynamics of all the monetary aggregates, so as to make due changes.

This project involved expanding the coverage of the financial sector survey, which currently covers only the ODCs. The coverage of the rest of the financial sector will be enhanced once the survey has been extended to include insurance companies, pension fund, non-credit taking providers, and microfinance companies. The importance of ensuring the complete coverage of the entire sector is to enable a broader and correct measurement of the financial standing of the entire financial system of the country.

Therefore, this notice, serves to inform the public that BoN has started to collect data from the MMUs and OFCs since June 2008, going back to June 2007. The Bank of Namibia currently compile this data parallel to the current monthly Monetary and Financial statistics (MFS) and aim to publishing the consolidated data by June 2009. This will impact on the major categories of MFS such as M2, NFA and Domestic claims.

STATISTICAL TABLES

I National Accounts

II Monetary and Financial Developments

E

III Public Finance

IV Balance of Payments

Table I.1 Aggregate economic indicators

	2003	2004	2005	2006	2007
Current prices					
GDP (N$ mil.)	37,304	42,679	46,177	54,017	61,457
% Change	5.3	14.4	8.2	17.0	13.8
GNI (N$ mil.)	39,036	43,217	45,463	53,659	60,733
% Change	9.1	10.7	5.2	18.0	13.2
GDP per capita (N$)	19,727	22,194	23,596	27,117	30,304
% Change	3.6	12.5	6.3	14.9	11.8
GNI per capita (N$)	20,643	22,474	23,231	26,937	29,947
% Change	7.3	8.9	3.4	16.0	11.2
Constant 2004 prices					
GDP (N$ mil.)	38,014	42,679	43,758	46,886	48,789
% Change	4.2	12.3	2.5	7.1	4.1
GNI (N$ mil.)	40,173	43,224	44,392	50,151	53,644
% Change	2.2	7.6	2.7	13.0	7.0
GDP per capita (N$)	20,103	22,194	22,360	23,537	24,058
% Change	2.5	10.4	0.7	5.3	2.2
GNI per capita (N$)	21,244	22,477	22,683	25,176	26,451
% Change	0.5	5.8	0.9	11.0	5.1

Source: Central Bureau of Statistics

Table I.2 Gross domestic product and gross national income
Current prices - N$ million

Category	2003	2004	2005	2006	2007
Compensation of employees	16,881	18,787	19,630	21,317	23,635
Consumption of fixed capital	4,299	4,791	5,261	5,896	6,920
Net operating surplus	13,618	15,598	17,423	22,670	26,248
Gross domestic product at factor cost	**34,798**	**39,176**	**42,314**	**49,883**	**56,804**
Taxes on production and imports	2,506	3,502	3,864	4,133	4,653
Subsidies					
Gross domestic product at market prices	**37,304**	**42,679**	**46,177**	**54,017**	**61,457**
Primary incomes					
- receivable from the rest of the world	2,123	1,483	955	1,304	1,911
- payable to rest of the world	-391	-944	-1,670	-1,661	-2,635
Gross national income at market prices	**39,036**	**43,217**	**45,463**	**53,659**	**60,733**
Current transfers					
- receivable from the rest of the world	3,670	4,529	4,547	6,733	7,421
- payable to rest of the world	-203	-225	-286	-306	-369
Gross national disposable income	**42,503**	**47,521**	**49,724**	**60,087**	**67,785**
Current prices - N$ per capita					
Gross domestic product at market prices	19,727	22,194	23,596	27,117	30,304
Gross national income at market prices	20,643	22,474	23,231	26,937	29,947
Constant 2004 prices - N$ million					
Gross domestic product at market prices	**38,014**	**42,679**	**43,758**	**46,886**	**48,789**
- Annual percentage change	4.2	12.3	2.5	7.1	4.1
Real gross national income	**40,173**	**43,224**	**44,392**	**50,151**	**53,644**
- Annual percentage change	2.2	7.6	2.7	13.0	7.0
Constant 2004 prices - N$ per capita					
Gross domestic product at market prices	20,103	22,194	22,360	23,537	24,058
- Annual percentage change	2.5	10.4	0.7	5.3	2.2
Real gross national income	**21,244**	**22,477**	**22,683**	**25,176**	**26,451**
- Annual percentage change	0.5	5.8	0.9	11.0	5.1

Source: Central Bureau of Statistics

Table I.3 National disposable income and savings
Current prices - N$ million

Category	2003	2004	2005	2006	2007
Disposable income and saving					
Gross national disposable income	**42,503**	**47,521**	**49,724**	**60,087**	**67,785**
Consumption of fixed capital	4,299	4,791	5,261	5,896	6,920
Net national disposable income	**38,204**	**42,730**	**44,464**	**54,190**	**60,865**
All other sectors	30,296	32,876	32,837	40,589	46,709
General government	7,908	9,855	11,626	13,601	14,156
Final consumption expenditure	**32,817**	**34,609**	**35,641**	**40,187**	**49,391**
Private	24,534	25,916	26,735	30,223	37,610
General government	8,283	8,693	8,905	9,964	11,781
Saving, net	**5,387**	**8,121**	**8,823**	**14,003**	**11,473**
All other sectors	5,762	6,960	6,102	10,366	9,098
General government	-375	1,161	2,721	3,637	2,375
Financing of capital formation					
Saving, net	5,387	8,121	8,823	14,003	11,473
Capital transfers receivable from abroad	520	527	535	602	616
Capital transfers payable to foreign countries	-3	-3	-3	-3	-3
Total	**5,904**	**8,645**	**9,355**	**14,602**	**12,085**
Capital formation					
Gross fixed capital formation	**7,121**	**7,922**	**8,594**	**11,962**	**12,705**
All other sectors	6,063	6,757	7,098	9,958	9,637
General government	1,058	1,165	1,497	2,004	3,068
Consumption of fixed capital	**-4,299**	**-4,791**	**-5,261**	**-5,896**	**-6,920**
All other sectors	-3,592	-4,000	-4,372	-4,856	-5,549
General government	-707	-790	-889	-1,040	-1,371
Changes in inventories	105	216	498	342	166
Net lending (+) / Net borrowing(-)	**2,964**	**5,283**	**5,507**	**8,178**	**6,115**
All other sectors	3,677	4,719	3,443	5,738	5,623
General government	-713	564	2,064	2,440	493
Total	**5,904**	**8,645**	**9,355**	**14,602**	**12,085**

Source: Central Bureau of Statistics

Table I.4(a) Gross domestic product by activity
Current prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture and forestry	2,032	2,252	2,861	3,275	3,626
Livestock farming	869	930	1,606	1,836	1,874
Crop farming and forestry	1,163	1,322	1,254	1,439	1,752
Fishing & fish processing on board	1,775	1,564	1,932	1,948	2,218
Mining and quarrying	2,992	4,147	4,257	6,654	7,591
Diamond mining	2,620	3,444	3,182	4,591	3,561
Other mining and quarrying	362	704	1,075	2,063	4,029
Primary industries	**6,799**	**7,964**	**9,050**	**11,878**	**13,435**
Manufacturing	5,149	5,339	5,738	7,792	9,661
Meat processing	134	146	163	176	218
Fish processing on shore	886	763	477	657	818
Other food products and beverages	2,146	2,140	2,262	2,518	2,929
Other manufacturing	1,983	2,290	2,836	4,441	5,695
Electricity and water	740	900	1,091	1,020	1,128
Construction	983	1,138	1,259	1,901	2,047
Secondary industries	**6,872**	**7,377**	**8,089**	**10,714**	**12,836**
Wholesale and retail trade, repairs	4,113	4,638	5,202	5,879	6,769
Hotels and restaurants	671	770	829	940	1,090
Transport, and communication	1,955	2,403	2,662	2,544	2,922
Transport and storage	715	906	959	806	1,177
Post and telecommunications	1,240	1,498	1,703	1,738	1,746
Financial intermediation	1,691	1,686	1,823	2,190	2,508
Real estate and business services	3,433	3,921	4,218	4,479	4,924
Real estate activities	2,648	2,902	3,055	3,231	3,490
Other business services	785	1,019	1,164	1,247	1,434
Community, social and personal services	1,322	1,549	1,697	1,838	1,984
Public administration and defence	3,677	3,857	4,115	4,434	5,101
Education	2,800	3,331	3,208	3,705	3,940
Health	1,691	1,806	1,579	1,535	1,683
Private household with employed persons	322	343	358	384	419
Tertiary industries	**21,673**	**24,304**	**25,692**	**27,929**	**31,340**
Less: Financial intermediation services indirectly measured	546	469	517	637	807
All industries at basic prices	**34,798**	**39,176**	**42,314**	**49,883**	**56,804**
Taxes less subsidies on products	2,506	3,502	3,864	4,133	4,653
GDP at market prices	**37,304**	**42,679**	**46,177**	**54,017**	**61,457**

Source: Central Bureau of Statistics

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Table I.4(b) Gross domestic product by activity
Percentage contribution

Industry	2003	2004	2005	2006	2007
Agriculture and forestry	5.4	5.3	6.2	6.1	5.9
Livestock farming	2.3	2.2	3.5	3.4	3.1
Crop farming and forestry	3.1	3.1	2.7	2.7	2.8
Fishing and fish processing on board	4.8	3.7	4.2	3.6	3.6
Mining and quarrying	8.0	9.7	9.2	12.3	12.4
Diamond mining	7.1	8.1	6.9	8.5	5.8
Other mining and quarrying	1.0	1.6	2.3	3.8	6.6
Primary industries	**18.2**	**18.7**	**19.6**	**22.0**	**21.8**
Manufacturing	13.8	12.5	12.4	14.4	15.7
Meat processing	0.4	0.3	0.4	0.3	0.4
Fish processing on shore	2.4	1.8	1.0	1.2	1.3
Other food products and beverages	5.8	5.0	4.9	4.7	4.8
Other manufacturing	5.3	5.4	6.1	8.2	9.3
Electricity and water	2.0	2.1	2.4	1.9	1.8
Construction	2.6	2.7	2.7	3.5	3.3
Secondary industries	**18.4**	**17.3**	**17.5**	**19.8**	**20.9**
Wholesale and retail trade, repairs	11.0	10.9	11.3	10.9	11.0
Hotels and restaurants	1.8	1.8	1.8	1.7	1.8
Transport, and communication	5.2	5.6	5.8	4.7	4.8
Transport and storage	1.9	2.1	2.1	1.5	1.9
Post and telecommunications	3.3	3.5	3.7	3.2	2.8
Financial intermediation	4.5	4.0	3.9	4.1	4.1
Real estate and business services	9.2	9.2	9.1	8.3	8.0
Real estate activities	7.1	6.8	6.6	6.0	5.7
Other business services	2.1	2.4	2.5	2.3	2.3
Community, social and personal services	3.5	3.6	3.7	3.4	3.2
Public administration and defence	9.9	9.0	8.9	8.2	8.3
Education	7.5	7.8	6.9	6.9	6.4
Health	4.5	4.2	3.4	2.8	2.7
Private household with employed persons	0.9	0.8	0.8	0.7	0.7
Tertiary industries	**58.1**	**56.9**	**55.7**	**51.7**	**51.0**
Less: Financial intermediation services indirectly measured	1.5	1.1	1.1	1.2	1.3
All industries at basic prices	**93.3**	**91.8**	**91.6**	**92.3**	**92.4**
Taxes less subsidies on products	6.7	8.2	8.4	7.7	7.6
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bureau of Statistics

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Table I.5(a) Gross domestic product by activity
Constant 2004 prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture and forestry	2,093	2,252	2,590	2,687	2,860
Livestock farming	945	930	1,315	1,219	1,241
Crop farming and forestry	1,148	1,322	1,274	1,468	1,620
Fishing & fish processing on board	1,681	1,564	1,434	1,308	1,079
Mining and quarrying	2,860	4,147	3,697	4,718	4,699
Diamond mining	2,377	3,444	2,872	3,962	3,840
Other mining and quarrying	484	704	826	756	859
Primary industries	**6,634**	**7,964**	**7,721**	**8,712**	**8,638**
Manufacturing	5,320	5,339	5,742	5,897	6,321
Meat processing	146	146	178	162	173
Fish processing on shore	852	763	723	494	523
Other food products and beverages	2,246	2,140	2,230	2,297	2,406
Other manufacturing	2,076	2,290	2,611	2,944	3,219
Electricity and water	841	900	1,119	1,190	1,227
Construction	1,074	1,138	1,166	1,667	1,643
Secondary industries	**7,235**	**7,377**	**8,026**	**8,754**	**9,191**
Wholesale and retail trade, repairs	4,284	4,638	5,087	5,473	5,904
Hotels and restaurants	710	770	788	846	915
Transport, and communication	1,910	2,403	2,627	3,006	3,230
Transport and storage	630	906	931	1,262	1,452
Post and telecommunications	1,280	1,498	1,696	1,744	1,777
Financial intermediation	1,490	1,701	1,941	2,027	2,132
Real estate and business services	3,657	3,921	4,188	4,339	4,602
Real estate activities	2,815	2,902	3,060	3,221	3,375
Other business services	842	1,019	1,128	1,118	1,227
Community, social and personal services	1,382	1,549	1,656	1,702	1,717
Public administratin and defence	3,710	3,857	3,673	3,825	4,028
Education	2,780	3,331	3,066	3,177	3,184
Health	1,778	1,806	1,446	1,401	1,478
Private household with employed persons	335	343	350	358	366
Tertiary industries	**22,022**	**24,304**	**24,822**	**26,154**	**27,556**
Less: Financial intermediation secvices indirectly measured	424	469	519	593	652
All industries at basic prices	**35,467**	**39,176**	**40,051**	**43,027**	**44,733**
Taxes less subsidies on products	2,547	3,502	3,707	3,860	4,056
GDP at market prices	**38,014**	**42,679**	**43,758**	**46,886**	**48,789**

Source: Central Bureau of Statistics

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Table I.5(b) Gross domestic product by activity
Annual percentage changes

Industry	2003	2004	2005	2006	2007
Agriculture and forestry	-0.1	7.6	15.0	3.8	6.5
Livestock farming	-2.4	-1.7	41.5	-7.3	1.8
Crop farming and forestry	1.8	15.2	-3.6	15.2	10.3
Fishing and fish processing on board	10.0	-6.9	-8.3	-8.8	-17.5
Mining and quarrying	-8.2	45.0	-10.9	27.6	-0.4
Diamond mining	-5.1	44.9	-16.6	38.0	-3.1
Other mining and quarrying	-20.7	45.5	17.3	-8.5	13.7
Primary industries	**-1.6**	**20.0**	**-3.1**	**12.8**	**-0.9**
Manufacturing	13.9	0.4	7.5	2.7	7.2
Meat processing	-7.5	-0.3	21.9	-8.5	6.5
Fish processing on shore	31.7	-10.4	-5.2	-31.7	5.8
Other food products and beverages	0.6	-4.7	4.2	3.0	4.8
Other manufacturing	27.0	10.3	14.0	12.7	9.4
Electricity and water	0.9	7.0	24.3	6.3	3.2
Construction	27.2	5.9	2.4	43.0	-1.5
Secondary industries	**13.9**	**2.0**	**8.8**	**9.1**	**5.0**
Wholesale and retail trade, repairs	5.8	8.3	9.7	7.6	7.9
Hotels and restaurants	6.7	8.4	2.4	7.4	8.2
Transport, and communication	15.7	25.8	9.3	14.4	7.4
Transport and storage	1.3	43.8	2.8	35.6	15.1
Post and telecommunications	24.5	17.0	13.2	2.8	1.9
Financial intermediation	25.7	14.2	14.1	4.4	5.2
Real estate and business services	6.8	7.2	6.8	3.6	6.1
Real estate activities	3.4	3.1	5.4	5.3	4.8
Other business services	20.2	21.1	10.7	-0.9	9.8
Community, social and personal services	4.3	12.1	6.9	2.8	0.9
Public administratin and defence	6.6	4.0	-4.8	4.1	5.3
Education	-0.4	19.8	-8.0	3.6	0.2
Health	4.3	1.5	-19.9	-3.1	5.5
Private household with employed persons	2.2	2.2	2.2	2.2	2.2
Tertiary industries	**7.0**	**10.4**	**2.1**	**5.4**	**5.4**
Less: Financial intermediation secvices indirectly measured	7.5	10.6	10.7	14.2	10.1
All industries at basic prices	**6.6**	**10.5**	**2.2**	**7.4**	**4.0**
Taxes less subsidies on products	-19.9	37.5	5.9	4.1	5.1
GDP at market prices	**4.2**	**12.3**	**2.5**	**7.1**	**4.1**

Source: Central Bureau of Statistics

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Table I.6(a) Expenditure on gross domestic product
Current prices - N$ million

Expenditure category	2003	2004	2005	2006	2007
Final consumption expenditure	32,817	34,609	35,641	40,187	49,391
Private	24,534	25,916	26,735	30,223	37,610
General government	8,283	8,693	8,905	9,964	11,781
Gross fixed capital formation	7,121	7,922	8,594	11,962	12,705
Changes in inventories	105	216	498	342	166
Gross domestic expenditure	**40,042**	**42,747**	**44,733**	**52,491**	**62,263**
Exports of goods and services	16,185	16,991	18,678	24,559	29,419
Imports of goods and services	19,574	17,959	18,615	22,454	30,573
Discrepancy	650	899	1,382	-578	349
Gross domestic product at market prices	**37,304**	**42,679**	**46,177**	**54,017**	**61,457**

Source: Central Bureau of Statistics

Table I.6(b) Expenditure on gross domestic product
Percent contribution

Expenditure category	2003	2004	2005	2006	2007
Final consumption expenditure	88.0	81.1	77.2	74.4	80.4
Private	65.8	60.7	57.9	56.0	61.2
General government	22.2	20.4	19.3	18.5	19.2
Gross fixed capital formation	19.1	18.6	18.6	22.2	20.7
Changes in inventories	0.3	0.5	1.1	0.6	0.3
Gross domestic expenditure	**107.3**	**100.2**	**96.9**	**97.2**	**101.3**
Exports of goods and services	43.4	39.8	40.4	45.5	47.9
Imports of goods and services	52.5	42.1	40.3	41.6	49.7
Discrepancy	1.7	2.1	3.0	-1.1	0.6
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bureau of Statistics

Table I.7(a) Expenditure on gross domestic product
Constant 2004 prices - N$ million

Expenditure category	2003	2004	2005	2006	2007
Final consumption expenditure	33,714	34,609	34,300	36,894	41,564
Private	25,433	25,916	26,122	28,286	32,100
General government	8,282	8,693	8,179	8,608	9,463
Gross fixed capital formation	7,458	7,922	8,207	10,898	10,441
Changes in inventories	69	216	463	228	453
Gross domestic expenditure	**41,241**	**42,747**	**42,970**	**48,020**	**52,458**
Exports of goods and services	16,124	16,991	16,850	19,429	19,605
Imports of goods and services	19,942	17,958	18,125	21,083	26,095
Discrepancy	591	899	2,063	520	2,821
Gross domestic product at market prices	**38,014**	**42,679**	**43,758**	**46,886**	**48,789**

Source: Central Bureau of Statistics

Table I.7(b) Expenditure on gross domestic product
Annual percentage contribution

Expenditure category	2003	2004	2005	2006	2007
Final consumption expenditure	7.0	2.7	-0.9	7.6	12.7
Private	8.3	1.9	0.8	8.3	13.5
General government	3.1	5.0	-5.9	5.3	9.9
Gross fixed capital formation	-5.0	6.2	3.6	32.8	-4.2
Changes in inventories	1.2	0.4	0.6	-0.5	0.5
Gross domestic expenditure	**5.7**	**3.7**	**0.5**	**11.8**	**9.2**
Exports of goods and services	8.9	5.4	-0.8	15.3	0.9
Imports of goods and services	10.5	-9.9	0.9	16.3	23.8
Discrepancy	-0.3	0.8	2.7	-3.5	4.9
Gross domestic product at market prices	**4.2**	**12.3**	**2.5**	**7.1**	**4.1**

Source: Central Bureau of Statistics

Table I.8 Gross fixed capital formation by activity
Current prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture	402	432	464	495	540
Fishing	226	42	104	71	162
Mining and quarrying	1,765	1,738	1,762	3,842	2,330
Manufacturing	247	833	715	1,068	1,376
Electricity and water	796	709	309	364	355
Construction	258	287	297	307	334
Wholesale and retail trade; hotels, restaurants	250	326	367	432	586
Transport, and communication	998	1,095	1,351	1,498	1,888
Finance, real estate, business services	1,078	1,253	1,684	1,840	2,019
Community, social and personal services	44	41	46	41	47
Producers of government services	1,058	1,165	1,497	2,004	3,068
Total	**7,121**	**7,922**	**8,594**	**11,962**	**12,705**
Percent of GDP	19.1	18.6	18.7	22.2	20.7

Source: Central Bureau of Statistics

Table I.9 Gross fixed capital formation by activity
Constant 2004 prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture	416	432	449	466	484
Fishing	226	42	103	70	158
Mining and quarrying	1,838	1,738	1,699	3,510	1,851
Manufacturing	256	833	685	965	1,075
Electricity and water	855	709	291	329	283
Construction	263	287	291	294	307
Wholesale and retail trade; hotels, restaurants	255	326	356	405	511
Transport, and communication	1,023	1,095	1,309	1,410	1,680
Finance, real estate, business services	1,125	1,253	1,584	1,598	1,573
Community, social and personal services	45	41	44	39	41
Producers of government services	1,155	1,165	1,394	1,812	2,477
Total	**7,458**	**7,922**	**8,207**	**10,898**	**10,441**
Annual change, percent	-0.5	6.2	3.6	32.8	-4.2

Source: Central Bureau of Statistics

Table I.10 Gross fixed capital formation by the type of asset
Current prices - N$ million

Type of Asset	2003	2004	2005	2006	2007
Buildings	1,218	1,907	2,207	2,616	2,967
Construction works	1,999	2,000	2,168	3,795	3,872
Transport equipment	1,510	1,382	1,531	1,737	1,914
Machinery and other equipment	2,130	2,160	2,212	3,331	3,412
Mineral exploration	264	472	477	482	540
Total	**7,121**	**7,922**	**8,594**	**11,962**	**12,705**

Source: Cental Bureau of Statistics

Table I.11 Gross fixed capital formation by the type of asset
Constant 2004 prices - N$ million

Type of Asset	2003	2004	2005	2006	2007
Buildings	1,281	1,907	2,062	2,241	2,256
Construction works	2,215	2,000	1,995	3,363	3,187
Transport equipment	1,514	1,382	1,526	1,718	1,861
Machinery and other equipment	2,179	2,160	2,163	3,140	2,690
Mineral exploration	269	472	460	437	446
Total	**7,458**	**7,922**	**8,207**	**10,898**	**10,441**

Source: Central Bureau of Statistics

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Table I.12 Gross fixed capital formation by ownership
Current prices - N$ million

Ownership	2003	2004	2005	2006	2007
Public	1,857	2,064	2,499	3,054	4,262
Producers of government services	1,058	1,165	1,497	2,004	3,068
Public corporations and enterprises	799	899	1,002	1,050	1,194
Private	5,264	5,858	6,096	8,908	8,443
Total	**7,121**	**7,922**	**8,594**	**11,962**	**12,705**

Source: Central Bureau of Statistics

Table I.13 Gross fixed capital formation by ownership
Constant 2004 prices - N$ million

Ownership	2003	2004	2005	2006	2007
Public	2,538	2,492	2,493	2,985	3,729
Producers of government services	1,155	1,165	1,394	1,812	2,477
Public corporations and enterprises	1,384	1,327	1,100	1,173	1,252
Private	4,920	5,430	5,713	7,913	6,712
Total	**7,458**	**7,922**	**8,207**	**10,898**	**10,441**

Source: Central Bureau of Statistics

Table I.14 Fixed capital stock by activity
Current prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture	8,326	8,824	9,299	9,621	10,266
Fishing	1,531	1,509	1,544	1,547	1,660
Mining and quarrying	8,681	9,760	10,897	14,131	16,860
Manufacturing	4,519	5,151	5,726	6,741	8,392
Electricity and water	6,711	7,541	8,049	8,235	8,649
Construction	1,172	1,229	1,291	1,365	1,481
Wholesale and retail trade; hotels, restaurants	2,981	3,174	3,435	3,803	4,422
Transport, and communication	8,654	9,518	10,478	11,317	12,737
Finance, real estate, business services	13,306	14,767	16,912	19,606	23,275
Community, social and personal services	599	627	660	687	736
Producers of government services	19,741	21,846	24,209	26,466	30,619
Total	**76,221**	**83,946**	**92,501**	**103,517**	**119,097**

Source: Central Bureau of Statistics

Table I.15 Fixed capital stock by activity
Constant 2004 prices - N$ million

Industry	2003	2004	2005	2006	2007
Agriculture	8,904	8,824	8,740	8,655	8,569
Fishing	1,550	1,509	1,525	1,504	1,566
Mining and quarrying	8,925	9,760	10,552	13,050	13,828
Manufacturing	4,722	5,151	5,408	5,908	6,465
Electricity and water	7,365	7,541	7,447	7,323	7,085
Construction	1,192	1,229	1,265	1,300	1,345
Wholesale and retail trade; hotels, restaurants	3,105	3,174	3,260	3,377	3,580
Transport, and communication	9,297	9,518	9,853	10,219	10,857
Finance, real estate, business services	13,986	14,767	15,834	16,871	17,840
Community, social and personal services	630	627	626	618	612
Producers of government services	21,472	21,846	22,399	23,273	24,665
Total	**81,146**	**83,946**	**86,908**	**92,099**	**96,410**

Source: Central Bureau of Statistics

Table I.16(a) National consumer price index (December 2001= 100)

	Food & non alcoholic beverages	Alcoholic Beverages & tabacco	Clothing and foodwear	Housing, water, electricity, gas & others	Furnitures, household equipment & maintenance	Health	Transport	Communica-tions	Recreation & culture	Education	Hotels, cafes & restaurands	Miscellane-ous goods & services	All items	All Items An-nual percent-age changes
Weights	29.6	3.3	5.1	20.6	5.6	1.5	14.8	0.9	2.5	7.4	1.6	7.1	100.0	
2004	**122.6**	**121.2**	**109.3**	**122.4**	**111.3**	**111.8**	**123.9**	**107.4**	**110.3**	**135.5**	**120.9**	**109.5**	**120.2**	**4.2**
2005	**124.4**	**130.1**	**108.2**	**124.3**	**113.9**	**112.6**	**132.3**	**108.5**	**111.1**	**140.6**	**127.1**	**108.0**	**122.9**	**2.3**
2006														
Jan	128.7	133.8	104.7	126.4	115.4	110.0	137.6	108.8	112.2	149.9	130.5	109.7	126.1	3.6
Feb	128.3	134.3	104.2	126.5	115.6	109.6	137.9	109.0	111.8	149.9	131.4	114.2	126.4	3.7
Mar	129.5	137.5	103.5	126.5	115.7	109.7	138.0	109.0	112.8	149.9	131.7	114.3	126.9	4.6
Apr	129.7	138.8	103.9	126.5	115.9	110.2	138.8	109.0	112.9	149.9	132.1	114.6	127.2	4.4
May	130.6	139.2	104.5	126.6	115.8	110.1	138.9	109.0	113.1	149.9	132.9	114.6	127.5	5.1
Jun	131.3	139.6	104.1	126.7	116.1	110.0	141.0	109.1	113.4	149.9	133.9	113.6	128.0	5.3
Jul	131.2	140.4	103.6	129.3	116.1	110.0	142.5	109.1	114.8	149.9	134.6	115.4	128.9	5.1
Aug	132.4	141.7	105.9	129.9	116.5	110.1	147.5	109.1	114.5	149.9	134.9	115.7	130.2	5.4
Sep	134.2	142.6	106.7	130.2	118.5	110.1	147.8	109.1	114.9	149.9	135.9	116.1	131.0	5.5
Oct	136.1	142.7	106.2	130.2	118.6	110.5	149.2	109.3	115.4	149.9	136.7	116.2	131.7	5.8
Nov	138.6	143.0	106.2	130.3	118.7	110.6	149.2	109.8	115.6	149.9	136.7	116.8	132.4	6.1
Dec	139.5	143.2	106.6	130.5	119.2	110.9	147.2	109.8	115.8	149.9	137.3	116.9	132.5	6.1
Average	**132.5**	**139.7**	**105.0**	**128.3**	**116.9**	**110.1**	**143.0**	**109.2**	**113.9**	**149.9**	**134.0**	**114.8**	**129.1**	**5.1**
2007														
Jan	140.6	143.1	107.0	130.9	119.2	114.2	146.4	109.9	117.6	158.9	138.9	117.1	133.7	6.0
Feb	140.8	143.2	106.8	131.0	120.2	115.1	147.5	109.9	117.4	158.9	139.5	116.9	134.0	6.0
Mar	142.7	148.0	108.4	131.0	120.5	115.3	147.1	109.9	118.5	158.9	140.5	116.7	134.9	6.3
Apr	145.0	149.0	107.7	131.0	120.9	115.4	148.9	109.9	118.8	158.9	141.6	116.9	135.9	6.9
May	146.5	150.0	107.6	131.1	121.0	115.0	150.0	109.9	118.9	158.9	141.3	117.0	136.6	7.1
Jun	147.1	150.6	107.4	131.0	121.7	115.2	151.0	109.9	119.3	158.9	142.3	117.1	137.0	7.0
Jul	148.8	151.6	107.6	133.7	121.8	115.4	152.7	109.9	119.3	158.9	142.7	117.3	138.2	7.2
Aug	150.6	152.5	108.6	134.5	121.9	115.4	152.9	109.9	119.5	158.9	143.2	117.6	139.1	6.8
Sep	152.2	152.2	109.4	134.6	122.3	115.4	154.9	109.9	118.5	158.9	145.3	117.2	139.8	6.7
Oct	154.5	152.8	109.1	134.8	122.2	115.6	155.2	113.4	118.7	158.9	146.0	117.4	140.4	6.6
Nov	157.7	152.8	111.6	134.5	124.5	115.5	155.5	113.4	121.1	158.9	148.8	116.8	141.5	6.9
Dec	158.5	153.4	111.3	134.5	124.6	115.4	156.5	113.4	121.3	158.9	149.7	116.8	141.9	7.1
Average	**148.7**	**149.9**	**108.5**	**132.7**	**121.7**	**115.2**	**151.5**	**110.8**	**119.1**	**158.9**	**143.3**	**117.1**	**137.7**	**6.7**
2008														
Jan	161.7	153.9	111.0	134.6	125.2	117.0	157.5	113.8	122.0	168.7	151.3	117.7	144.1	7.8
Feb	162.7	154.2	111.0	134.7	125.7	117.0	158.6	113.8	123.1	168.7	152.2	117.9	144.6	7.9
Mar	164.8	161.7	111.6	134.8	126.3	117.1	162.2	113.8	124.1	168.7	154.1	118.1	146.2	8.4
Apr	168.9	165.2	112.3	135.0	129.0	117.2	166.9	113.8	125.9	168.7	155.3	119.2	148.6	9.3
May	170.6	165.8	111.6	135.4	130.9	117.3	170.6	113.8	126.3	168.7	157.1	119.5	149.8	9.7
Jun	172.7	166.4	111.8	135.6	132.3	117.9	173.9	113.8	125.0	168.7	158.9	121.4	151.2	10.3
Jul	176.7	166.7	112.4	140.2	133.3	118.0	180.3	114.0	125.6	168.7	162.1	124.7	154.7	11.9
Aug	178.1	170.5	113.0	141.1	135.3	118.5	180.6	114.3	127.9	168.7	163.6	125.3	155.8	12.0
Sep	180.8	172.2	114.1	140.8	138.4	118.5	178.7	114.2	127.9	168.7	165.4	126.0	156.5	12.0
Oct	182.3	173.4	114.8	141.3	140.7	118.7	176.6	123.2	130.9	168.7	166.1	128.9	157.2	12.0
Nov	184.2	173.2	115.3	141.5	142.4	118.9	176.1	123.1	132.6	168.7	166.5	129.0	158.0	11.7
Dec	184.6	173.9	115.8	141.5	142.5	119.0	171.7	123.1	133.0	168.7	166.9	129.1	157.4	10.9
Average	**174.0**	**166.4**	**112.9**	**138.0**	**133.5**	**117.9**	**171.1**	**116.2**	**127.0**	**168.7**	**160.0**	**123.1**	**152.0**	**10.3**
2009														
Jan	187.5	174.8	115.8	146.7	144.8	120.5	173.0	123.0	136.5	174.6	171.6	132.8	160.8	11.6
Feb	188.9	175.1	115.9	146.6	145.4	122.2	173.7	123.1	136.6	174.6	171.6	133.3	161.4	11.6

Source: Central Bureau of Statistics

Table I.16(b) National consumer price index
Goods and Services (December 2001=100)

	Services			Goods		
	Index	Monthly Infl. Rate	Annual infl. rate	Index	Monthly infl. rate	Annual infl. rate
2003	**112.9**	**0.4**	**7.3**	**116.9**	**0.1**	**7.2**
2004	**119.8**	**0.5**	**6.1**	**120.6**	**0.3**	**3.1**
2005	**123.7**	**0.3**	**3.3**	**122.3**	**0.3**	**1.4**
2006						
Jan	126.6	1.3	3.5	125.8	0.7	3.7
Feb	127.5	0.7	2.0	125.7	-0.1	4.8
Mar	127.6	0.1	4.9	126.5	0.7	4.4
Apr	127.7	0.1	4.4	126.9	0.3	4.5
May	128.0	0.2	4.5	127.2	0.3	5.4
Jun	128.9	0.7	4.7	127.5	0.2	5.6
Jul	130.1	0.9	5.0	128.1	0.5	5.2
Aug	131.6	1.2	6.0	129.2	0.9	5.1
Sep	131.7	0.1	5.2	130.5	0.9	5.6
Oct	132.0	0.2	5.6	131.4	0.8	5.8
Nov	132.1	0.1	5.8	132.6	0.9	6.3
Dec	132.2	0.1	5.8	132.8	0.2	6.3
Average	**129.7**	**0.5**	**4.8**	**128.7**	**0.5**	**5.2**
2007						
Jan	133.9	1.3	5.7	133.5	0.5	6.1
Feb	134.0	0.1	5.1	133.9	0.3	6.6
Mar	134.7	0.5	5.5	135.0	0.8	6.7
Apr	134.5	-0.1	5.3	136.8	1.4	7.8
May	134.5	0.0	5.1	138.0	0.8	8.5
Jun	134.6	0.1	4.4	138.5	0.4	8.7
Jul	136.0	1.0	4.5	139.6	0.8	8.9
Aug	136.4	0.3	3.6	141.8	1.6	9.7
Sep	136.5	0.1	3.6	141.8	0.0	8.7
Oct	136.7	0.1	3.6	142.7	0.6	8.6
Nov	135.8	-0.6	2.8	145.0	1.6	9.4
Dec	135.6	-0.2	2.6	145.9	0.6	9.9
Average	**135.3**	**0.2**	**4.3**	**139.4**	**0.8**	**8.3**
2008						
Jan	138.7	2.3	3.6	147.5	1.1	10.5
Feb	139.2	0.3	3.9	148.1	0.4	10.6
Mar	140.3	0.8	4.2	149.9	1.2	11.0
Apr	141.5	0.8	5.2	153.1	2.2	11.9
May	142.0	0.4	5.6	154.7	1.1	12.1
Jun	142.4	0.3	5.8	156.7	1.3	13.2
Jul	147.5	3.6	8.5	159.2	1.6	14.0
Aug	147.8	0.2	8.4	160.8	1.0	13.4
Sep	148.0	0.1	8.4	161.9	0.7	14.2
Oct	150.1	1.4	9.8	161.7	-0.1	13.3
Nov	150.9	0.5	11.1	162.5	0.5	12.1
Dec	151.1	0.1	11.5	161.4	-0.7	10.6
Average	**145.0**	**0.9**	**7.2**	**156.5**	**0.8**	**12.2**
2009						
Jan	153.6	1.6	10.7	165.3	2.5	12.7
Feb	154.7	0.7	11.1	165.6	0.2	11.9

Source: Central Bureau of Statistics

Table II.1(a) Central bank survey (end of period in N$ million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Assets																								
Net foreign assets	**4,865.6**	**4,466.4**	**5,690.0**	**6,260.1**	**5,643.8**	**6,085.3**	**7,455.9**	**6,359.0**	**5,868.7**	**6,499.9**	**6,257.0**	**6,116.2**	**8,361.4**	**8,656.7**	**8,900.8**	**9,949.6**	**9,441.9**	**9,697.8**	**11,758.2**	**10,730.8**	**10,942.1**	**13,805.3**	**12,725.8**	**12,857.5**
Claims on nonresidents	5,288.6	4,875.6	6,094.7	6,658.5	6,054.6	6,485.4	7,887.6	6,422.5	5,947.2	6,561.6	6,320.7	6,173.0	8,444.1	8,704.0	8,946.1	9,988.4	9,497.8	9,744.9	11,859.3	10,833.0	11,053.4	13,922.6	12,844.2	12,977.0
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	0.2	0.2	0.3	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Foreign currency	150.8	226.6	73.1	154.7	100.5	194.7	161.9	183.8	206.1	159.4	112.2	108.7	153.3	69.8	121.2	119.1	138.9	156.1	122.4	132.6	123.8	99.1	144.6	43.8
Deposits	5,125.9	4,626.0	5,985.6	6,455.1	5,896.6	6,221.3	7,643.8	6,146.9	5,638.0	6,288.0	6,083.2	5,926.8	8,289.3	8,609.1	8,787.9	9,819.6	9,295.8	9,513.5	5,917.4	4,381.5	4,827.4	7,202.5	5,710.3	6,587.2
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	0.0	0.0	-0.0	0.0	0.0	0.0	5,733.1	6,222.1	5,992.3	6,499.5	6,854.1	6,200.9
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	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	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	11.6	22.8	35.8	48.6	57.2	69.2	81.7	91.6	103.0	114.1	125.1	137.3	1.3	24.9	36.8	49.4	62.9	75.1	86.2	96.4	109.7	121.2	134.9	144.9
less: Liabilities to nonresidents	-423.0	-409.2	-404.7	-398.4	-410.8	-400.2	-431.7	-63.5	-78.6	-61.8	-63.7	-56.7	-82.8	-47.4	-45.3	-38.8	-55.9	-47.1	-101.1	-102.1	-111.3	-117.3	-118.5	-119.5
Deposits	-18.2	-15.6	-7.3	-7.3	-15.7	-6.8	-36.3	-29.5	-29.3	-13.1	-16.8	-7.2	-32.8	-27.1	-28.2	-22.5	-39.7	-30.1	-27.1	-27.4	-35.0	-37.1	-38.7	-40.7
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	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	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	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	-404.8	-393.6	-397.4	-391.2	-395.1	-393.3	-395.4	-33.9	-49.2	-48.7	-46.9	-49.5	-49.9	-20.3	-17.2	-16.2	-16.3	-17.0	-74.0	-74.7	-76.3	-80.2	-79.7	-78.8
Claims on other depository corporations	**1,835.2**	**1,947.4**	**1,938.8**	**2,004.6**	**1,994.3**	**2,024.6**	**558.0**	**468.9**	**329.1**	**371.6**	**636.3**	**1,215.9**	**219.9**	**878.2**	**900.3**	**936.0**	**912.6**	**1,012.4**	**529.5**	**710.1**	**966.2**	**312.1**	**73.5**	**162.4**
Net claims on central government	**-4,396.2**	**-4,125.4**	**-5,155.0**	**-5,885.5**	**-5,141.7**	**-5,691.1**	**-5,426.8**	**-4,243.0**	**-3,608.6**	**-4,473.9**	**-4,141.2**	**-4,595.1**	**-5,632.0**	**-5,193.1**	**-4,841.9**	**-6,572.0**	**-6,079.1**	**-6,301.6**	**-7,857.5**	**-7,013.2**	**-6,578.1**	**-8,107.7**	**-6,892.5**	**-6,664.4**
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	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	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	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	-4,396.2	-4,125.4	-5,155.0	-5,885.5	-5,141.7	-5,691.1	-5,426.8	-4,243.0	-3,608.6	-4,473.9	-4,141.2	-4,595.1	-5,632.0	-5,193.1	-4,841.9	-6,572.0	-6,079.1	-6,301.6	-7,857.5	-7,013.3	-6,578.2	-8,107.7	-6,892.5	-6,664.4
Deposits	-4,396.2	-4,125.4	-5,155.0	-5,885.5	-5,141.7	-5,691.1	-5,426.8	-4,243.0	-3,608.6	-4,473.9	-4,141.2	-4,595.1	-5,632.0	-5,177.2	-4,826.0	-6,556.2	-6,063.3	-6,285.7	-7,841.7	-6,997.4	-6,562.3	-8,091.9	-6,876.7	-6,648.6
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	0.0	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9	-15.9
Claims on other sectors	**15.6**	**15.4**	**16.5**	**16.0**	**16.0**	**15.8**	**16.1**	**16.6**	**16.2**	**16.2**	**16.8**	**17.4**	**16.8**	**21.6**	**21.3**	**22.3**	**22.6**	**22.8**	**23.0**	**23.3**	**23.3**	**24.1**	**23.8**	**23.4**
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	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	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	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	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	15.6	15.4	16.5	16.0	16.0	15.8	16.1	16.6	16.2	16.2	16.8	17.4	16.8	21.6	21.3	22.3	22.6	22.8	23.0	23.3	23.3	24.1	23.8	23.4

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Table II.1(b) Central bank survey (end of period in N$ million)

Liabilities	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Monetary base	1,431.3	1,374.1	1,452.6	1,421.5	1,566.5	1,511.0	1,577.7	1,570.5	1,566.5	1,537.4	1,654.7	1,647.7	1,526.1	2,433.1	2,449.2	2,416.7	2,451.7	2,229.4	2,653.5	2,614.6	2,980.4	2,717.5	2,726.0	3,101.1
Currency in circulation	1,052.9	1,002.4	1,046.5	1,082.2	1,085.3	1,080.8	1,139.9	1,176.7	1,136.5	1,158.8	1,221.0	1,323.7	1,177.7	1,198.7	1,263.0	1,260.1	1,266.5	1,267.5	1,358.4	1,383.8	1,463.6	1,524.7	1,570.4	1,656.9
Liabilities to other depository corporations	378.5	371.7	406.1	339.3	481.2	430.2	437.8	393.7	429.9	378.6	433.6	323.9	348.4	1,234.3	1,186.2	1,156.5	1,185.2	961.9	1,295.1	1,230.8	1,516.8	1,192.8	1,155.7	1,444.2
Reserve deposits	378.5	371.7	406.1	339.3	481.2	430.2	437.8	393.7	429.9	378.6	433.6	323.9	348.4	392.3	332.8	342.7	459.7	415.2	474.6	492.5	428.8	471.6	462.4	467.9
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	0.0	842.0	853.4	813.8	725.5	546.7	820.5	738.3	1087.9	721.2	693.2	976.2
Deposits 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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0
Transferable deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	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	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	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	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	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	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	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	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	10.3	4.4	2.3	11.7	9.1	14.7	19.0	4.3	4.7	5.6	4.1	10.8	10.1	10.9	10.6	5.6	4.6	2.7	6.1	7.2	7.2	7.0	17.8	8.3
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	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	1,037.0	1,083.1	1,191.8	1,124.3	1,097.0	1,075.1	1,178.0	1,203.0	1,190.9	1,025.1	1,264.8	1,272.4	1,593.9	2,082.3	2,661.0	2,064.3	1,984.6	2,339.7	1,932.7	1,967.1	2,504.4	3,447.1	3,333.2	3,417.6
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	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	118.5	118.5	118.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	213.8	190.3	190.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and special reserves	246.6	246.6	246.6	312.8	302.8	302.8	302.8	302.8	302.8	302.8	302.8	302.8	302.8	306.0	306.0	427.4	427.4	427.4	427.4	427.4	427.4	427.4	427.4	427.4
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	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	612.9	636.1	728.7	686.5	659.3	626.4	702.3	701.8	677.0	503.5	727.6	719.0	1,020.5	1,503.0	2,068.0	1,536.2	1,462.4	1,810.9	1,343.9	1,342.3	1,745.2	2,500.9	2,451.2	2,428.7
Current year result	19.1	42.0	58.1	84.9	94.9	105.8	132.8	158.3	171.0	178.8	194.3	210.5	16.8	42.9	56.7	60.7	54.8	61.4	121.3	157.4	291.7	478.7	414.5	521.5
Other items (net)	-158.6	-157.9	-156.5	-162.2	-160.2	-166.1	-171.4	-176.3	-156.8	-154.3	-154.5	-176.5	-164.0	-162.8	-141.2	-150.5	-143.0	-140.4	-139.0	-137.8	-138.4	-137.7	-146.4	-148.0
Other liabilities	20.8	20.0	19.3	19.3	19.0	19.1	19.0	19.0	19.0	19.0	18.9	24.1	24.1	24.0	43.5	39.8	39.9	39.9	40.1	40.5	40.8	41.3	41.5	46.2
less: Other assets	-179.4	-177.9	-175.7	-181.5	-179.2	-185.2	-190.4	-195.3	-175.7	-173.3	-173.4	-200.6	-188.1	-186.8	-184.7	-190.3	-182.9	-180.3	-179.1	-178.3	-179.2	-179.0	-187.9	-194.2

Table II.2(a) Other depository corporations survey (end of period in N$ million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Assets																								
Net foreign assets	**1,262.6**	**1,591.7**	**1,198.5**	**2,155.1**	**2,379.2**	**864.5**	**1,836.9**	**1,977.4**	**1,956.8**	**765.2**	**1,432.4**	**717.8**	**1,864.5**	**1,886.0**	**1,870.0**	**2,414.0**	**2,522.7**	**1,557.0**	**2,829.8**	**907.6**	**1,636.6**	**2,712.7**	**2,946.6**	**726.7**
Claims on nonresidents	2,322.5	2,549.6	2,198.9	3,096.4	3,225.8	1,877.2	2,674.7	2,887.9	2,855.7	2,190.9	2,279.8	1,708.4	2,758.3	2,844.1	2,824.1	3,376.4	3,460.6	2,871.3	3,869.9	1,947.5	2,533.8	3,620.8	3,969.8	1,809.3
Foreign currency	55.4	80.6	53.7	68.2	57.4	65.0	114.4	108.0	84.8	89.7	114.2	111.4	137.1	186.4	207.8	151.1	182.8	182.7	174.9	251.8	347.7	360.9	360.2	273.5
Deposits	2,220.4	2,423.3	2,004.4	2,985.3	3,124.2	1,767.9	2,511.0	2,732.6	2,722.2	2,052.3	2,113.8	1,544.6	2,566.6	2,602.8	2,560.7	3,168.7	3,219.9	2,570.5	3,574.1	1,366.0	1,824.7	2,855.9	3,297.3	1,271.9
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	0.0	0.0	0.0	0.0	0.0	60.6	61.2	251.6	284.3	326.1	232.1	172.8
Loans	46.7	45.7	46.2	43.0	44.2	44.3	49.4	47.3	48.7	48.9	51.7	52.4	54.6	54.9	55.6	56.5	57.8	57.4	59.7	64.4	66.1	66.9	68.9	80.4
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	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	94.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.7	11.0	11.0	11.3	10.7
less: Liabilities to nonresidents	-1,059.9	-957.8	-1,000.5	-941.3	-846.6	-1,012.8	-837.8	-910.5	-898.9	-1,425.7	-847.4	-990.7	-893.8	-958.1	-954.1	-962.3	-937.8	-1,314.3	-1,040.1	-1,039.9	-897.2	-908.1	-1,023.2	-1,082.6
Deposits	-256.0	-277.5	-332.8	-270.8	-184.9	-360.4	-181.8	-251.6	-228.5	-747.9	-185.8	-335.0	-235.4	-286.7	-288.1	-293.5	-265.9	-645.4	-366.3	-372.3	-235.2	-245.7	-193.2	-294.2
Securities other than shares	-459.0	-461.3	-455.0	-457.9	-459.9	-454.2	-457.8	-460.6	-455.0	-458.0	-441.7	-439.3	-442.2	-444.8	-439.4	-442.2	-445.0	-439.3	-442.2	-445.0	-439.4	-442.2	-609.8	-568.3
Loans	-344.9	-219.0	-212.7	-212.7	-201.8	-198.2	-198.2	-198.2	-215.4	-219.8	-219.8	-216.3	-216.3	-226.6	-226.6	-226.6	-226.9	-229.6	-231.7	-222.6	-222.6	-220.2	-220.2	-220.2
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	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	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	**717.9**	**627.0**	**654.9**	**646.5**	**782.1**	**696.2**	**736.4**	**669.9**	**651.9**	**730.7**	**783.4**	**841.6**	**1,113.5**	**1,558.9**	**1,525.7**	**1,498.7**	**1,495.1**	**1,275.0**	**1,583.9**	**1,631.3**	**1,793.4**	**1,621.8**	**1,544.3**	**1,972.2**
Currency	313.7	271.1	249.0	337.7	307.9	266.3	345.1	293.7	274.7	352.2	415.0	503.4	395.2	316.7	334.8	322.3	306.6	310.2	372.4	324.4	387.2	290.4	349.3	516.5
Reserve deposits	392.0	355.9	364.8	308.9	443.0	429.9	391.3	368.4	369.4	371.5	368.3	323.8	348.2	392.2	332.7	342.6	459.5	415.0	439.8	491.4	428.7	471.5	430.3	651.1
Other claims	12.1	0.0	41.1	0.0	31.1	0.0	0.0	7.8	7.8	7.0	0.0	14.4	370.0	850.0	858.2	833.9	729.0	549.8	771.7	815.5	977.5	859.9	764.7	804.6
Net claims on central government	**2,196.6**	**2,293.8**	**2,474.6**	**2,470.3**	**2,406.2**	**2,798.7**	**2,836.5**	**2,550.0**	**2,512.9**	**2,408.4**	**2,373.7**	**2,451.3**	**1,961.4**	**1,732.3**	**1,782.6**	**1,926.5**	**2,003.0**	**2,148.7**	**2,170.1**	**2,392.0**	**2,295.1**	**2,271.6**	**2,138.8**	**2,021.3**
Claims on central government	2,785.2	2,914.4	3,098.8	3,099.4	3,012.1	3,270.2	3,315.5	3,026.9	3,037.3	2,995.6	3025.3	3,101.3	2,598.5	2,321.3	2,416.5	2,441.9	2,465.9	2,578.5	2,701.0	2,915.9	2,848.5	2,762.4	2617.5	2,631.7
Securities other than Shares	2,781.3	2,905.3	3,086.4	3,094.7	2,993.0	3,262.3	3,296.1	3,019.7	3,025.2	2,983.5	3013.2	3,088.7	2,583.6	2,316.8	2,304.1	2,432.7	2,451.7	2,575.6	2,698.1	2,913.0	2,845.0	2,,758.4	2612.9	2,627.5
Other claims	4.0	9.1	12.4	4.8	19.1	7.9	19.4	7.2	12.1	12.1	12.0	12.7	14.9	4.5	112.4	9.2	14.2	2.9	2.9	2.9	3.5	4.0	4.6	4.2
less: Liabilities to central government	-588.6	-620.6	-624.2	-629.1	-605.9	-471.6	-479.0	-476.9	-524.4	-587.2	-651.6	-650.1	-637.1	-589.0	-633.9	-515.4	-462.9	-429.9	-530.9	-523.9	-553.4	-490.8	-478.7	-610.4
Deposits	-524.1	-556.0	-556.9	-577.9	-553.5	-418.9	-426.3	-424.2	-471.7	-534.4	-598.8	-597.2	-584.2	-536.1	-581.0	-462.5	-409.9	-376.0	-477.1	-470.1	-499.5	-437.0	-424.9	-557.4
Other liabilities	-64.5	-64.5	-67.3	-51.2	-52.4	-52.7	-52.7	-52.7	-52.7	-52.8	-52.8	-52.9	-52.9	-52.9	-52.9	-52.9	-53.0	-53.8	-53.8	-53.8	-53.8	-53.8	-53.8	-53.0
Claims on other sectors	**28,873.8**	**29,431.8**	**29,974.2**	**30,024.4**	**30,329.8**	**30,670.0**	**30,746.5**	**30,982.0**	**31,379.1**	**32,512.6**	**32,719.9**	**32,338.6**	**32,625.4**	**33,598.7**	**33,812.6**	**34,259.7**	**33,900.5**	**34,458.4**	**34,658.3**	**34,998.6**	**35,468.5**	**35,513.1**	**35,640.1**	**36,554.6**
Other financial corporations	1,737.1	1,871.8	2,229.6	942.4	1,196.3	1,067.7	983.6	1,027.7	1,193.1	1680.1	1,544.9	1,107.9	2,430.3	2,874.6	2,692.3	2,891.0	2,725.4	2,914.6	2,888.7	2,808.7	3,028.9	2,635.0	2,437.4	2576.2
State and local government	43.7	59.7	24.0	29.2	41.6	27.0	40.4	40.1	47.7	21.7	28.8	45.0	24.8	26.3	25.8	23.6	21.4	19.8	28.7	59.9	67.2	89.7	87.1	82.3
Public nonfinancial corporations	226.9	264.4	332.9	294.2	322.9	415.2	380.1	115.3	132.1	205.0	230.6	230.9	216.6	259.2	379.9	464.8	506.1	522.0	560.0	427.9	454.1	485.0	469.7	655.1
Other nonfinancial corporations	9,049.9	9,264.5	9,181.3	9,953.5	9,666.3	9,878.0	9,915.0	10,188.6	10,231.9	10,598.2	10,698.0	10,672.6	10,070.8	10,292.8	10,560.4	10,515.3	10,116.7	10,373.8	10,514.6	10,756.4	10,871.6	10,978.5	10,959.7	11,229.2
Other resident sectors	17,816.2	17,971.5	18,206.3	18,805.1	19,102.7	19,282.0	19,427.4	19,610.3	19,774.3	20,007.5	20,217.6	20,282.2	19,882.9	20,145.8	20,154.2	20,364.9	20,530.8	20,628.2	20,666.3	20,940.8	21,041.9	21,320.2	21,681.3	22,007.0
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	4.9	4.9	4.9	4.9

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Table II.2(b) Other depository corporations survey (end of period in N$ million)

Liabilities	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Liabilities to central bank	1,848.0	1,752.9	1,939.6	2,008.1	2,000.8	1,960.1	813.1	881.5	627.2	785.7	799.1	867.2	851.1	881.1	823.6	872.6	916.3	1,011.8	524.6	706.6	695.0	415.6	68.5	158.0
Deposits included in broad money	22,525.1	22,304.1	21,786.1	22,318.9	22,709.2	21,676.6	24,049.7	24,048.3	24,833.4	24,179.5	25,387.8	23,981.9	25,119.8	26,829.2	26,097.2	26,844.2	26,810.4	27,042.8	28,786.3	27,110.9	27,908.9	27,937.8	28,490.4	28,096.5
Transferable deposits	13,817.6	13,903.6	14,029.4	14,125.9	14,147.2	12,546.9	14,865.8	15,021.6	14,373.4	14,269.2	15,193.5	13,815.7	14,728.0	16,645.2	16,362.0	16,717.2	16,419.7	17,270.2	18,716.1	17,760.8	17,977.0	16,394.4	17,275.8	17,430.1
Other financial corporations	2,039.7	2,216.4	1,888.5	1,977.2	2,035.4	2,186.8	2,688.9	2,498.1	2,506.7	2,607.4	2,907.1	2,287.8	2,466.0	2,640.3	3,063.6	3,354.0	3,289.5	3,151.8	3,852.5	2,891.4	3,207.7	2,477.7	1905.1	1,597.3
State and local government	159.2	166.9	158.9	175.7	168.1	277.2	303.7	334.7	183.2	200.2	222.2	236.3	242.9	303.3	238.0	312.3	303.0	323.1	243.9	233.3	236.6	268.2	289.1	258.0
Public nonfinancial corporations	980.2	892.3	1,234.7	953.1	605.2	487.0	403.9	463.0	539.6	738.2	856.9	637.9	691.1	625.8	509.6	461.7	729.2	432.9	823.5	690.2	585.9	500.8	637.3	616.6
Other nonfinancial corporations	7,303.0	7,978.1	8,070.8	8,266.9	8,679.6	6,943.7	8,530.8	8,710.8	8,161.5	7,876.7	8,409.5	7,671.6	8,288.9	9,511.3	9,255.0	9,579.3	9,248.3	10,209.0	10,704.7	10,582.0	10,677.4	10,017.1	9,990.2	10,032.6
Other resident sectors	3,335.5	2,650.0	2,676.5	2,753.0	2,658.8	2,652.1	2,938.5	3,015.0	2,982.5	2,846.8	2,797.8	2,982.1	3,039.2	3,564.5	3,295.8	3,010.0	2,849.7	3,153.5	3,091.4	3,363.9	3,269.3	3,130.6	4,454.0	4,925.7
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	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	8,707.6	8,400.5	7,756.7	8,193.0	8,562.0	9,129.7	9,183.9	9,026.7	10,459.9	9,910.3	10,194.4	10,166.1	10,391.8	10,184.0	9,735.3	10,127.0	10,390.7	9,772.6	10,070.2	9,350.1	9,931.9	11,543.3	11,214.6	10,666.4
Other financial corporations	423.5	433.8	586.8	736.8	848.0	708.5	634.0	516.1	607.0	521.3	742.8	696.5	779.7	719.4	824.8	913.4	1,045.7	874.2	869.0	852.7	877.0	822.8	729.2	314.4
State and local government	216.8	227.6	286.8	274.0	254.7	201.6	286.9	274.7	269.9	308.6	289.6	420.5	427.5	465.2	399.9	461.5	451.9	472.3	407.4	329.2	298.9	264.0	254.3	242.3
Public nonfinancial corporations	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1,159.4	1,421.4	1,333.7	1143.7	1,087.2	951.3	748.5	1,043.5	982.2	944.3	757.2	598.9	653.8	877.2	910.8	982.6
Other nonfinancial corporations	3,624.1	4,155.7	3,524.0	3,596.6	3,528.9	4,213.1	4,250.7	4,152.7	4,545.9	4,289.9	4,328.7	4,417.1	4,543.8	4,302.2	4,169.1	4,150.6	4,044.2	3,638.7	4,311.7	3,849.3	4,243.2	5,374.7	5,193.0	5,279.6
Other resident sectors	4,039.2	3,171.9	2,960.0	3,044.0	3,220.0	3,247.0	3,201.1	3,249.9	3,853.1	3,344.3	3,482.4	3,471.1	3,529.9	3,728.1	3,575.2	3,540.1	3,849.0	3,825.3	3,707.1	3,702.1	3,838.3	4,183.8	4,105.9	3,826.7
Unclassified	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2	23.7	17.7	17.7	17.7	17.7	17.7	17.7	17.8	20.8	20.8	21.6	20.8
Securities other than shares, included in broad money	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	6.0	6.0	6.0	6.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Deposits excluded from broad money	806.7	806.3	855.8	1,499.2	1,335.2	1,293.0	1,194.9	1,053.2	964.2	1,194.9	1,232.5	1,410.8	1,596.8	1,013.2	1,357.9	1,710.6	1,365.3	867.3	836.4	757.8	913.1	1,022.6	984.1	741.5
Securities other than shares, excluded from broad money	3,326.1	4,543.3	4,957.7	5,061.9	4,938.1	5,135.5	5,314.3	5,441.4	5,265.3	5,079.8	4,924.9	4,986.0	4,699.8	4,699.6	5,265.4	5,168.7	5,034.7	5,461.8	5,869.1	5,884.8	6,135.3	6,633.9	6,788.5	6,491.8
Of which: Other financial corporations	2,374.4	3,586.4	3,737.2	3,841.0	3,825.2	4,017.1	4,218.9	4,337.4	4,129.1	4,367.6	4,215.4	4,216.5	3,945.8	3,862.8	4,424.1	4,297.0	4,260.7	4,602.5	5,037.0	5,037.4	5,238.9	5,730.7	5,760.4	5,580.2
Loans	5.3	5.3	5.3	5.3	5.3	5.0	4.9	4.9	4.9	6.9	6.9	7.1	7.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.9
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	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	41.6	85.7	23.4	30.6	130.9	26.4	66.7	93.2	22.6	65.0	75.7	28.3	0.0	95.4	43.9	35.4	61.9	53.3	88.6	65.9	167.6	49.1	111.4
Shares and other equity	4,461.0	4,509.4	4,279.1	4,250.7	4,570.6	4,634.5	4,691.4	4,630.2	4,623.3	4,903.7	4,613.0	4,800.6	4,962.5	5,075.2	5,092.7	5,145.0	5,236.4	5,330.4	5,344.2	5,420.2	5,457.1	5,618.9	5,700.8	5,931.0
Funds contributed by owners	279.4	279.4	279.4	279.4	429.4	429.4	429.4	429.4	429.4	429.4	429.4	579.4	579.4	579.4	579.4	579.4	579.4	579.4	579.4	1,722.2	1,722.2	1,850.3	1,850.3	1,850.3
Retained earnings	1,218.3	1,261.9	1,258.4	1,288.4	1,294.0	1,319.8	1,318.7	1,317.7	1,319.1	1,316.8	1,318.5	1,319.0	1,433.8	1,433.5	1,432.3	1,419.8	1,419.7	1,489.3	1,488.6	1,781.6	1,782.6	1,857.3	1,857.4	1,857.8
General and special reserves	2,723.0	2,750.5	2,472.8	2,498.7	2,516.3	2,541.7	2,669.2	2,700.4	2,730.5	2,771.1	2,747.6	2,746.2	2,791.1	2,827.7	2,793.2	2,821.8	2,866.5	2,922.5	3,069.0	1,597.0	1,605.7	1,612.7	1,620.7	1,632.8
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	0.0	0.0	0.0	0.0	0.0	0.0	-9.0	9.5	8.9	5.7	11.2	17.0
Current Year Result	240.2	217.6	268.6	184.1	330.9	343.6	274.1	182.8	144.3	386.3	117.5	155.9	158.2	234.6	287.8	324.0	370.8	339.2	216.2	310.0	337.7	292.8	361.2	573.1
Other items (net)	72.7	-24.3	386.9	123.0	301.6	187.7	55.8	47.2	83.4	237.8	274.0	213.9	293.4	266.7	247.8	303.1	512.0	-347.7	-182.4	-50.2	7.6	312.0	177.6	-267.2
Other liabilities	1,826.8	2,227.3	1,948.4	2,032.3	2,217.4	1,904.7	1,943.4	1,898.6	2,145.8	1,913.7	2,098.3	2,380.6	2,143.0	2,138.5	2,068.6	2,202.7	2,625.4	2,098.6	2,113.9	2,162.0	2,228.0	2,493.5	2,839.5	2,152.2
less: Other assets	-1,913.2	-2,254.5	-1,564.8	-1,905.0	-1,912.0	-1,717.0	-1,888.5	-1,850.8	-2,062.4	-1,677.7	-1,829.5	-2,165.4	-1,851.5	-1,872.0	-1,823.1	-1,900.3	-2,104.9	-2,448.9	-2,299.7	-2,215.0	-2,223.4	-2,154.5	-2,506.0	-2,407.7
plus: Consolidation adjustment	159.1	2.8	3.3	-4.3	-3.9	0.0	0.9	-0.6	0.0	1.9	5.2	-1.3	1.8	0.2	2.3	0.6	-8.5	2.6	3.5	2.8	3.0	-27.0	-155.9	-11.7

Table II.3 Depository corporations survey (end of period in N$ million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Net foreign assets	6,128.2	6,058.1	6,888.5	8,415.2	8,023.0	6,949.8	9,292.8	8,336.5	7,825.5	7,265.1	7,689.4	7,461.7
Claims on nonresidents	7,611.1	7,425.1	8,293.6	9,755.0	9,280.4	8,362.7	10,562.3	9,310.4	8,803.0	8,752.5	8,600.5	8,509.1
less: Liabilities to nonresidents	-1,482.9	-1,367.0	-1,405.2	-1,339.8	-1,257.4	-1,412.9	-1,269.5	-973.9	-977.5	-1,487.5	-911.0	-1,047.4
Domestic claims	26,689.8	27,615.7	27,310.2	26,625.3	27,610.3	27,793.4	28,172.3	29,305.6	30,299.6	30,463.3	30,969.1	30,212.1
Net claims on central government	-2,199.5	-1,831.5	-2,680.4	-3,415.1	-2,735.5	-2,892.5	-2,590.3	-1,693.0	-1,095.7	-2,065.6	-1,767.5	-2,143.9
Claims on central government	2,785.2	2,914.4	3,098.8	3,099.4	3,012.1	3,,270.2	3,315.5	3,026.9	3,037.3	2,995.6	3,025.3	3,101.3
less: Liabilities to central government	-4,984.8	-4,745.9	-5,779.3	-6,514.6	-5,747.6	-6,162.7	-5,905.7	-4,719.9	-4,133.0	-5,061.2	-4,792.8	-5,245.2
Claims on other sectors	28,889.3	29,447.2	29,990.7	30,040.4	30,345.8	30,685.8	30,762.6	30,998.6	31,395.3	32,528.8	32,736.7	32,355.9
Other financial corporations	1,737.1	1,871.8	2,229.6	942.4	1,196.3	1,067.7	983.6	1,027.7	1,193.1	1,680.1	1,544.9	1,107.9
State and local government	43.7	59.7	24.0	29.2	41.6	27.0	40.4	40.1	47.7	21.7	28.8	45.0
Public nonfinancial corporations	226.9	264.4	332.9	294.2	322.9	415.2	380.1	115.3	132.1	205.0	230.6	230.9
Other nonfinancial corporations	9,049.9	9,264.5	9,181.3	9,953.5	9,666.3	9,878.0	9915.0	10,188.6	10,231.9	10,598.2	10,698.0	10,672.6
Other resident sectors	17,831.8	17,986.8	18,222.8	18,821.1	19,118.7	19,297.9	19,443.4	19,626.9	19,790.5	20,023.7	20,234.3	20,299.6
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	23,244.6	23,054.5	22,589.7	23,069.5	23,499.5	22,497.2	24,854.5	24,937.4	25,701.2	24,992.1	26,200.2	24,808.3
Currency outside depository corporations	739.1	731.3	797.4	744.5	777.4	814.5	794.8	883.1	861.8	806.5	806.0	820.3
Transferable deposits	13,791.9	13,916.8	14,029.6	14,126.1	14,154.3	12,547.1	14,869.9	15,021.7	14,373.6	14,269.3	15,193.9	13,815.9
Other financial corporations	2,039.7	2,216.4	1,888.5	1,977.2	2,035.4	2,186.8	2,688.9	2,498.1	2,506.7	2,607.4	2,907.1	2,287.8
State and local government	159.2	166.9	158.9	175.7	168.1	277.2	303.7	334.7	183.2	200.2	222.2	236.3
Public nonfinancial corporations	980.2	892.3	1,234.7	953.1	605.2	487.0	403.9	463.0	539.6	738.2	856.9	637.9
Other nonfinancial corporations	7,303.0	7,978.1	8,070.8	8,266.9	8,679.6	6,943.7	8,530.8	8,710.8	8,161.5	7,876.7	8,409.5	7,671.6
Other resident sectors	3,335.5	2,650.0	2,676.5	2,753.0	2,658.9	2,652.1	2,938.5	3,015.0	2,982.5	2,846.8	2,797.8	2,982.1
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	-25.7	13.2	0.2	0.2	7.1	0.2	4.1	0.2	0.1	0.1	0.4	0.1
Other deposits	8,707.6	8,400.5	7,756.7	8,193.0	8,562.0	9,129.7	9,183.9	9,026.7	1,0459.9	9,910.3	10,194.4	10,166.1
Other financial corporations	423.5	433.8	586.8	736.8	848.0	708.5	634.0	516.1	607.0	521.3	742.8	696.5
State and local government	216.8	227.6	286.8	274.0	254.7	201.6	286.9	274.7	269.9	308.6	289.6	420.5
Public nonfinancial corporations	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1,159.4	1,421.4	1,333.7	1,143.7
Other nonfinancial corporations	3,624.1	4,155.7	3,524.0	3,596.6	3,528.9	4,213.1	4,250.7	4,152.7	4,545.9	4,289.9	4,328.7	4,417.1
Other resident sectors	4,039.2	3,171.9	2,960.0	3,044.0	3,220.0	3,247.0	3,201.1	3,249.9	3,853.1	3,344.3	3,482.4	3,471.1
Unclassified	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2
Securities other than shares, included in broad money	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	6.0	6.0	6.0
Deposits excluded from broad money	806.7	806.3	855.8	1,499.2	1,335.2	1,293.0	1,194.9	1,053.2	964.2	1,194.9	1,232.5	1,410.8
Securities other than shares, excluded from broad money	3,326.1	4,543.3	4,957.7	5,061.9	4,938.1	5,135.5	5,314.3	5,441.4	5,265.3	5,079.8	4,924.9	4,986.0
Loans	5.3	5.3	5.3	5.3	5.3	5.0	4.9	4.9	4.9	6.9	6.9	7.1
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	10.3	46.0	88.0	35.1	39.8	145.7	45.4	71.1	98.0	28.2	69.0	86.5
Shares and other equity	5,498.0	5,592.5	5,470.9	5,374.9	5,667.5	5,709.5	5,869.3	5,833.2	5,814.1	5,928.8	5,877.8	6,073.0
Other items (net)	-73.0	-374.2	231.3	-5.5	147.9	-42.8	181.9	301.0	277.4	497.6	347.2	302.0
Other liabilities (includes central bank float)	1,873.3	2,234.2	1,967.5	2,051.4	2,229.4	1,923.6	1,958.3	1,917.4	2,164.6	1,932.5	2,116.9	2,404.5
less: Other assets	-2,092.5	-2,432.4	-1,740.5	-2,086.5	-2,091.1	-1,902.2	-2,078.9	-2,046.0	-2,238.1	-1,851.0	-2,002.9	-2,365.9
plus: Consolidation adjustment	146.3	-175.9	4.3	29.6	9.6	-64.2	302.5	429.6	350.9	416.1	233.2	263.4
Memoranda: Central bank float	25.7	-13.2	-0.2	-0.2	-7.1	-0.2	-4.1	-0.2	-0.1	-0.1	-0.4	-0.1

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Net foreign assets	10,362.4	10,542.6	10,770.7	12,363.7	11,964.6	11,254.8	14,588.0	11,638.4	12,578.7	16,518.0	15,672.4	13,584.2
Claims on nonresidents	11,339.0	11,548.1	11,770.2	13,364.8	12,958.4	12,616.2	15,729.2	12,780.4	13,587.2	17,543.4	16,814.0	14,786.3
less: Liabilities to nonresidents	-976.6	-1,005.5	-999.4	-1,001.1	-993.8	-1,361.3	-1,141.2	-1,142.0	-1,008.5	-1,025.4	-1,141.7	-1,202.1
Domestic claims	28,971.6	30,159.6	30,774.7	29,636.4	29,847.0	30,328.3	28,994.0	30,400.7	31,208.8	29,701.1	30,910.3	31,935.0
Net claims on central government	-3,670.6	-3,460.8	-3,059.2	-4,645.6	-4,076.1	-4,152.9	-5,687.4	-4,621.2	-4,283.0	-5,836.1	-4,753.7	-4,643.0
Claims on central government	2,598.5	2,321.3	2,416.5	2,441.9	2,465.9	2,578.5	2,701.1	2,915.9	2,848.5	2,762.4	2,617.5	2,631.8
less: Liabilities to central government	-6,269.1	-5,782.1	-5,475.8	-7,087.5	-6,542.0	-6,731.4	-8,388.4	-7,537.1	-7,131.5	-8,598.6	-7,371.2	-7,274.8
Claims on other sectors	32,642.3	33,620.3	33,833.9	34,282.0	33,923.1	34,481.2	34,681.3	35,022.0	35,491.8	35,537.3	35,663.9	36,578.0
Other financial corporations	2,430.3	2,874.6	2,692.3	2,891.0	2,725.4	2,914.6	2,888.7	2,808.7	3,028.9	2,635.0	2,437.4	2,576.2
State and local government	24.8	26.3	25.8	23.6	21.4	19.8	28.7	59.9	67.2	89.7	87.1	82.3
Public nonfinancial corporations	216.6	259.2	379.9	464.8	506.1	522.0	560.0	427.9	454.1	485.0	469.7	655.1
Other nonfinancial corporations	10,070.8	10,292.8	10,560.4	10,515.3	10,116.7	10,373.8	10,514.6	10,756.4	10,871.6	10,978.5	10,959.7	11,229.2
Other resident sectors	19,899.7	20,167.4	20,175.5	20,387.2	20,553.5	20,651.0	20,689.4	20,964.1	21,065.2	21,344.3	21,705.1	22,030.4
Unclassified shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	4.9	4.9	4.9	4.9
Broad money liabilities	25,908.5	27,715.4	27,029.5	27,786.1	27,774.4	28,004.2	29,776.2	28,174.2	28,989.3	29,175.9	29,715.3	29,240.8
Currency outside depository corporations	782.5	882.0	928.2	937.8	960.0	957.3	986.0	1,059.4	1,076.4	1,234.3	1,221.0	1,140.4
Transferable deposits	14,728.2	16,645.4	16,362.1	16,717.4	16,419.8	17,270.4	18,716.1	17,760.8	17,977.0	16,394.4	17,275.8	17,430.1
Other financial corporations	2,466.0	2,640.3	3,063.6	3,354.0	3,289.5	3,151.8	3,852.5	2,891.4	3,207.7	2,477.7	1,905.1	1,597.3
State and local government	242.9	303.3	238.0	312.3	303.0	323.1	243.9	233.3	236.6	268.2	289.1	258.0
Public nonfinancial corporations	691.1	625.8	509.6	461.7	729.2	432.9	823.5	690.2	585.9	500.8	637.3	616.6
Other nonfinancial corporations	8,288.9	9,511.3	9,255.0	9,579.3	9,248.3	10,209.0	10,704.7	10,582.0	10,677.4	10,017.1	9,990.2	10,032.6
Other resident sectors	3,039.2	3,564.5	3,295.9	3,010.1	2,849.7	3,153.5	3,091.5	3363.9	3,269.3	3,130.6	4,454.0	4,925.7
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
Less: Central bank float	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	10,391.8	10,184.0	9,735.3	10,127.0	10,390.7	9,772.6	10,070.2	9,350.1	9,931.9	11,543.3	11,214.6	10,666.4
Other financial corporations	779.7	719.4	824.8	913.4	1,045.7	874.2	869.0	852.7	877.0	822.8	729.2	314.4
State and local government	427.5	465.2	399.9	461.5	451.9	472.3	407.4	329.2	298.9	264.0	254.3	242.3
Public nonfinancial corporations	1,087.2	951.3	748.5	1,043.5	982.2	944.3	757.2	598.9	653.8	877.2	910.8	982.6
Other nonfinancial corporations	4,543.8	4,302.2	4,169.1	4,150.6	4,044.2	3,638.7	4,311.7	3,849.3	4,243.2	5,374.7	5,193.0	5,279.6
Other resident sectors	3,529.9	3,728.1	3,575.2	3,540.1	3,849.0	3,825.3	3,707.1	3,702.1	3,838.3	4,183.8	4,105.9	3,826.7
Unclassified	23.7	17.7	17.7	17.7	17.7	17.7	17.7	17.8	20.8	20.8	21.6	20.8
Securities other than shares, included in broad money	6.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Deposits excluded from broad money	1,596.8	1,013.2	1,357.9	1,710.6	1,365.3	867.3	836.4	757.8	913.1	1,022.6	984.1	741.5
Securities other than shares, excluded from broad money	4,699.8	4,699.6	5,265.4	5,168.7	5,034.7	5,461.8	5,869.1	5,884.8	6,135.3	6,633.9	6,788.5	6,491.8
Loans	7.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.9
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	38.4	10.9	106.0	49.5	40.0	64.6	59.4	95.8	73.1	174.6	66.9	119.7
Shares and other equity	6,692.9	7,157.4	7,753.7	7,209.3	7,221.0	7,670.1	7,276.8	7,387.3	7,961.4	9,066.0	9,034.0	9,348.6
Other items (net)	390.5	98.9	25.0	69.1	369.2	-491.8	-242.7	-267.6	-291.5	139.3	-13.2	-431.2
Other liabilities (includes central bank float)	2,167.0	2,162.4	2,112.0	2,242.4	2,665.2	2,138.4	2,154.0	2,202.5	2,268.8	2,534.8	2,881.0	2,198.3
less: Other assets	-2,039.6	-2,058.8	-2,007.9	-2,090.6	-2,287.8	-2,629.2	-2,478.9	-2,393.3	-2,402.6	-2,333.5	-2,694.0	-2,601.8
plus: Consolidation adjustment	263.1	-4.8	-79.1	-82.7	-8.2	-1.0	82.2	-76.8	-157.7	-62.0	-200.2	-27.7
Memoranda: Central bank float	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0

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Table II.4 Other depository corporations' claims on private sectors (end period in N$ million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Loans	**27,230.3**	**27,658.8**	**27,856.4**	**29,229.3**	**29,287.9**	**29,745.6**	**30,066.3**	**30,155.5**	**30,522.7**	**31,055.8**	**31,402.2**	**31,298.1**	**30,268.0**	**30,786.9**	**31,291.3**	**31,386.8**	**31,200.0**	**31,542.8**	**32,523.3**	**32,923.6**	**33,283.4**	**33,360.0**	**33,470.0**	**34,214.7**
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.2	0.0	0.0	26.6	50.4
Other depository corporations	153.6	155.1	162.6	174.1	165.7	167.3	309.1	171.1	288.1	174.2	175.8	14.8	14.3	13.8	13.4	12.9	13.6	12.0	11.6	11.1	10.7	10.2	9.8	9.3
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	0.0	0.0	0.0	0.0	0.0	0.0	751.9	677.3	849.4	474.5	385.7	323.9
Central government	4.0	9.1	12.4	4.8	19.1	7.9	19.4	7.2	12.1	12.1	12.0	12.7	14.9	4.5	112.4	9.2	14.2	2.9	2.9	2.9	3.5	4.0	4.6	4.2
State and local government	43.7	59.7	24.0	29.2	41.6	27.0	40.4	40.1	47.7	21.7	28.8	45.0	24.8	26.3	25.8	23.6	21.4	19.8	28.7	59.9	67.2	89.7	87.1	82.3
Public nonfinancial corporations	128.7	166.2	234.7	231.0	259.7	352.0	316.4	101.6	130.8	204.2	229.3	229.6	215.3	258.4	379.1	414.0	455.3	471.2	509.2	377.1	403.3	434.2	418.9	581.1
Other nonfinancial corporations (Businesses)	**9,039.0**	**9,253.4**	**9,170.1**	**9,942.2**	**9,654.9**	**9,866.5**	**9,906.1**	**10,179.5**	**10,222.7**	**10,589.0**	**10,688.6**	**10,663.1**	**10,063.0**	**10,285.0**	**10,552.5**	**10,507.3**	**10,108.5**	**10,353.0**	**10,494.6**	**10,741.6**	**10,843.0**	**10,962.0**	**10,943.2**	**11,210.0**
Loans and Advances	6,870.7	7,071.0	7,020.5	7,728.2	7,427.8	7,686.5	7,659.6	7,944.9	8,079.0	8,523.3	8,534.7	8,489.8	7,881.9	8,095.6	8,336.7	8,285.0	7,871.2	8,028.2	8,006.4	8,217.0	8,314.3	8,315.7	8,237.8	8,399.9
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	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	2,154.6	2,171.0	2,323.9	1,886.1	1,882.7	1,939.2	1,651.4	1,638.7	1,595.2	1,589.9	1,629.8	1,654.7	2,276.2	2,174.7	2,337.4	2,388.0	2,359.7	2,311.5	2,389.0	2,452.4	2,406.2	2,520.3	2,562.6	2,572.3
Dwellings	338.2	272.3	287.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	328.5	279.8	312.5	319.5	293.1	298.2	297.4	293.1	292.2	206.5	205.5	214.6
Other	1,816.4	1,898.7	2,036.8	1,886.1	1,882.7	1,939.2	1,651.4	1,,638.7	1,595.2	1,589.9	1,629.8	1,654.7	1,947.7	1,895.0	2,025.0	2,068.5	2,066.6	2,013.3	2,091.6	2,159.3	2,114.0	2,313.8	2,357.1	2,357.7
Overdrafts	3,605.8	3,670.3	3,551.1	3,398.5	3,319.1	3,274.9	3,699.3	3,817.4	3,836.0	4,125.3	4,055.2	3,840.5	3,835.5	4,048.7	4,136.2	4,113.4	3,840.4	3,908.3	3,805.7	4,003.5	4,177.6	4,066.6	4,029.5	4,194.9
Other loans and advances	1,110.3	1,229.7	1,145.5	2,443.6	2,226.0	2,472.5	2,308.9	2,488.8	2,647.8	2,808.1	2,849.7	2,994.6	1,770.2	1,872.1	1,863.0	1,783.6	1,671.1	1,808.4	1,811.7	1,761.2	1,730.5	1,728.8	1,645.7	1,632.8
Leasing	35.6	36.7	37.0	41.2	41.4	43.4	47.1	48.0	46.9	46.1	47.3	45.1	45.7	48.2	48.0	51.3	51.2	55.1	61.2	62.4	66.7	58.3	63.5	61.6
Instalment credit	1,416.5	1,429.6	1,386.5	1,417.8	1,425.9	1,378.6	1,441.5	1,445.6	1,353.3	1,278.9	1,295.6	1,311.0	1,317.0	1,323.8	1,352.6	1,372.8	1,365.8	1,512.1	1,547.0	1,589.9	1,629.6	1,672.9	1,739.4	1,796.2
Other	716.2	716.1	726.1	755.0	759.9	757.9	757.9	741.1	743.5	740.8	811.0	817.3	818.4	817.5	815.1	798.2	820.3	757.7	879.9	872.2	832.3	915.1	902.4	952.3
Other resident sectors (Individuals)	**17,814.6**	**17,969.6**	**18,206.3**	**18,805.1**	**19,102.7**	**19,280.7**	**19,425.7**	**19,608.6**	**19,772.6**	**20,005.8**	**20,215.9**	**20,280.5**	**19,881.2**	**20,144.1**	**20,152.5**	**20,363.2**	**20,529.1**	**20,626.5**	**20,664.6**	**20,939.1**	**21,040.2**	**21,318.5**	**21,525.3**	**21,873.1**
Loans and Advances	14,297.7	14,464.6	14,667.1	15,243.5	15,517.1	15,617.5	15,758.3	15,935.9	16,055.5	16,202.0	16,314.0	16,454.6	16,029.8	16,286.9	16,357.4	16,458.6	16,614.2	16,766.9	16,836.9	17,106.9	17,219.3	17,500.3	17,611.2	17,809.1
Farm mortgage loans	716.6	716.6	716.6	716.6	723.6	724.8	724.8	724.8	724.8	724.8	724.8	741.1	741.1	755.3	755.3	755.3	747.4	489.4	489.4	764.4	764.4	761.3	870.0	940.1
Other mortgage loans	10,683.2	10,853.5	10,977.9	11,595.9	11,797.9	11,886.7	11,991.1	12,122.8	12,407.2	12,516.7	12,692.5	12,807.7	12,324.3	12,538.5	12,607.8	12,716.1	12,837.6	12,987.4	12,950.7	13,094.5	13,206.2	13,354.4	13,437.7	13,535.9
Dwellings	10,683.2	10,853.5	10,977.9	11,595.9	11,797.9	11,886.7	11,991.1	12,122.8	12,407.2	12,516.7	12,692.5	12,807.7	12,324.3	12,538.5	12,607.8	12,716.1	12,837.6	12,985.9	12,949.3	12,945.3	13,027.0	13,243.2	13,348.8	13,435.0
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	0.0	0.0	0.0	0.0	0.0	1.4	1.4	149.2	179.2	111.3	88.9	100.9
Overdrafts	1,096.6	1,095.2	1114.2	1,092.0	1,189.9	1,097.4	1,135.2	1,152.3	1,093.0	1,135.1	1,055.8	1,076.4	1,125.9	1,170.3	1,211.5	1177.5	1,215.9	1,199.3	1,162.8	1,201.3	1,229.2	1,210.6	1,279.3	1,227.0
Other loans and advances	1,801.3	1,799.2	1,858.4	1,839.0	1,805.8	1,908.5	1,907.2	1,936.0	1,830.4	1,825.4	1,840.9	1,829.4	1,838.6	1,822.8	1,782.8	1809.6	1,813.3	2,090.8	2,234.0	2,046.7	2,019.5	2,174.0	2,024.1	2,106.1
Leasing	66.6	66.3	67.4	66.5	70.9	73.7	73.8	73.0	74.8	80.3	84.6	88.6	92.0	93.2	92.9	94.6	95.7	94.7	96.4	105.4	107.7	102.8	101.9	100.9
Instalment credit	3,101.6	3,087.0	3,116.6	3,135.8	3,153.3	3,228.3	3,231.0	3,238.5	3,280.4	3,362.5	3,343.5	3,373.8	3,389.3	3,385.1	3,316.6	3,411.3	3,417.8	3,323.0	3,279.0	3,260.9	3,245.5	3,243.5	3,298.1	3,332.9
Other	348.7	351.7	355.2	359.2	361.4	361.3	362.6	361.1	361.9	361.1	473.7	363.5	370.1	378.8	385.7	398.8	401.4	441.9	452.3	465.9	467.6	471.9	514.1	630.2
Nonresidents	**46.7**	**45.7**	**46.2**	**43.0**	**44.2**	**44.3**	**49.4**	**47.3**	**48.7**	**48.9**	**51.7**	**52.4**	**54.6**	**54.9**	**55.6**	**56.5**	**57.8**	**57.4**	**59.7**	**64.4**	**66.1**	**66.9**	**68.9**	**80.4**
Loans and Advances	46.7	45.7	46.2	43.0	44.2	44.3	49.4	47.3	48.7	48.9	51.7	52.4	54.6	54.9	55.6	56.5	57.8	57.4	59.7	64.4	66.1	66.9	68.6	75.7
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	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	29.2	27.3	27.9	24.6	26.1	25.9	28.7	28.2	28.7	28.4	30.5	30.7	31.5	31.5	31.5	31.0	31.1	32.3	34.1	38.5	39.4	39.5	40.8	44.6
Dwellings	29.2	27.3	27.9	24.6	26.1	25.9	28.7	28.2	28.7	28.4	30.5	30.7	31.5	31.5	31.5	31.0	31.1	32.3	34.1	38.5	39.4	39.5	40.8	44.6
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	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	14.2	15.2	15.1	15.3	15.3	15.4	15.8	16.1	16.9	17.6	18.3	18.9	20.3	20.7	21.1	22.9	24.0	22.4	23.0	22.8	23.5	24.1	24.6	28.0
Other loans and advances	3.3	3.3	3.2	3.1	2.8	3.0	4.9	3.0	3.0	2.9	2.8	2.8	2.8	2.7	2.9	2.6	2.7	2.7	2.6	3.1	3.3	3.2	3.3	3.2
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	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	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	4.7

Table II.5 Deposits of other depository corporations (end period in N$ million)

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total Deposits	**26,340.5**	**26,067.5**	**25,819.7**	**27,128.5**	**27,569.7**	**26,133.5**	**27,165.1**	**27,106.2**	**27,476.7**	**27,945.8**	**28,802.4**	**27,498.8**	**28,804.1**	**29,768.1**	**29,456.3**	**30,493.6**	**30,039.4**	**30,113.1**	**31,121.5**	**29,344.6**	**30,021.6**	**30,018.4**	**30,522.2**	**30,511.0**
Deposits included in broad money	**22,525.1**	**22,304.1**	**21,786.1**	**22,318.9**	**22,709.2**	**21,676.6**	**24,049.7**	**24,048.3**	**24,833.4**	**24,179.5**	**25,387.8**	**23,981.9**	**25,119.8**	**26,829.2**	**26,097.2**	**26,844.2**	**26,810.4**	**27,042.8**	**28,786.3**	**27,110.9**	**27,908.9**	**27,937.8**	**28,490.4**	**28,096.5**
Transferable deposits	**13,817.6**	**13,903.6**	**14,029.4**	**14,125.9**	**14,147.2**	**12,546.9**	**14,865.8**	**15,021.6**	**14,373.4**	**14,269.2**	**15,193.5**	**13,815.7**	**14,728.0**	**16,645.2**	**16,362.0**	**16,717.2**	**16,419.7**	**17,270.2**	**18,716.1**	**17,760.8**	**17,977.0**	**16,394.4**	**17,275.8**	**17,430.1**
In national currency	13,817.6	13,903.6	14,029.4	14,125.9	14,147.2	12,546.9	14,865.8	15,021.6	14,373.4	14,269.2	15,193.5	13,815.7	14,728.0	16,645.2	16,362.0	16,717.2	16,419.7	16,977.0	17,996.1	17,439.1	17,669.0	16,132.4	17,137.5	17,319.1
Other financial corporations	2,039.7	2,216.4	1,888.5	1,977.2	2,035.4	2,186.8	2,688.9	2,498.1	2,506.7	2,607.4	2,907.1	2,287.8	2,466.0	2,640.3	3,063.6	3,354.0	3,289.5	3,151.8	3,852.5	2,891.4	3,207.7	2,477.7	1,905.1	1,597.3
State and local government	159.2	166.9	158.9	175.7	168.1	277.2	303.7	334.7	183.2	200.2	222.2	236.3	242.9	303.3	238.0	312.3	303.0	323.1	243.9	233.3	236.6	268.2	289.1	258.0
Public nonfinancial corporations	980.2	892.3	1,234.7	953.1	605.2	487.0	403.9	463.0	539.6	738.2	856.9	637.9	691.1	625.8	509.6	461.7	729.2	432.9	823.5	690.2	585.9	500.8	637.3	616.6
Other nonfinancial corporations	7,303.0	7,978.1	8,070.8	8,266.9	8,679.6	6,943.7	8,530.8	8,710.8	8,161.5	7,876.7	8,409.5	7,671.6	8,288.9	9,511.3	9,255.0	9,579.3	9,248.3	10,209.0	10,704.7	10,582.0	10,677.4	10,017.1	9,990.2	10,032.6
Other resident sectors	3,335.5	2,650.0	2,676.5	2,753.0	2,658.8	2,652.1	2,938.5	3,015.0	2,982.5	2,846.8	2,797.8	2,982.1	3,039.2	3,564.5	3,295.8	3,010.0	2,849.7	3,153.5	3,091.4	3,363.9	3,269.3	3,130.6	4,454.0	4,925.7
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	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	0.0	0.0	0.0	0.0	0.0	293.2	720.0	321.7	308.0	262.1	138.3	111.0
Other deposits	**8,707.6**	**8,400.5**	**7,756.7**	**8,193.0**	**8,562.0**	**9,129.7**	**9,183.9**	**9,026.7**	**10,459.9**	**9,910.3**	**10,194.4**	**10,166.1**	**10,391.8**	**10,184.0**	**9,735.3**	**10,127.0**	**10,390.7**	**9,772.6**	**10,070.2**	**9,350.1**	**9,931.9**	**11,543.3**	**11,214.6**	**10,666.4**
In national currency	8,707.6	8,400.5	7,756.7	8,193.0	8,562.0	9,129.7	9,183.9	9,,026.7	10,459.9	9,910.3	10,194.4	10,166.1	10,391.8	10,184.0	9,735.3	10,127.0	10,390.7	9,772.6	10,070.2	9,350.1	9,931.9	11,543.3	11,214.6	10,666.4
Other financial corporations	423.5	433.8	586.8	736.8	848.0	708.5	634.0	516.1	607.0	521.3	742.8	696.5	779.7	719.4	824.8	913.4	1,045.7	874.2	869.0	852.7	877.0	822.8	729.2	314.4
State and local government	216.8	227.6	286.8	274.0	254.7	201.6	286.9	274.7	269.9	308.6	289.6	420.5	427.5	465.2	399.9	461.5	451.9	472.3	407.4	329.2	298.9	264.0	254.3	242.3
Public nonfinancial corporations	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1,159.4	1,421.4	1,333.7	1,143.7	1,087.2	951.3	748.5	1,043.5	982.2	944.3	757.2	598.9	653.8	877.2	910.8	982.6
Other nonfinancial corporations	3,624.1	4,155.7	3,524.0	3,596.6	3,528.9	4,213.1	4,250.7	4,152.7	4,545.9	4,289.9	4,328.7	4,417.1	4,543.8	4,302.2	4,169.1	4,150.6	4,044.2	3,638.7	4,311.7	3,849.3	4,243.2	5,374.7	5,193.0	5,279.6
Other resident sectors	4,039.2	3,171.9	2,960.0	3,044.0	3,220.0	3,247.0	3,201.1	3,249.9	3,853.1	3,344.3	3,482.4	3,471.1	3,529.9	3,728.1	3,575.2	3,540.1	3,849.0	3,825.3	3,707.1	3,702.1	3,838.3	4,183.8	4,105.9	3,826.7
Unclassified	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2	23.7	17.7	17.7	17.7	17.7	17.7	17.7	17.8	20.8	20.8	21.6	20.8
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	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	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2	23.7	17.7	17.7	17.7	17.7	17.7	17.7	17.8	20.8	20.8	21.6	20.8
Deposits excluded from broad money	**3,815.3**	**3,763.4**	**4,033.6**	**4,809.6**	**4,860.5**	**4,457.0**	**3,115.3**	**3,057.9**	**2,643.4**	**3,766.4**	**3,414.6**	**3,516.9**	**3,684.3**	**2,938.9**	**3,359.1**	**3,649.4**	**3,229.0**	**3,070.3**	**2,335.2**	**2,233.7**	**2,112.6**	**2,080.6**	**2,031.8**	**2,414.6**
Transferable deposits	1,623.9	1,830.4	2,290.2	2,995.7	3,171.4	2,638.7	1,785.9	1,556.7	1,473.1	2,182.0	1,956.1	1,879.6	2,273.1	1,639.2	2,058.2	2,282.4	2,284.8	1,884.5	1,316.0	1,217.4	1,276.6	1,409.8	1,351.9	1,430.7
In national currency	1,127.4	1,399.4	1,623.4	1,770.2	2,034.3	1,655.8	952.6	930.8	806.8	1,291.5	1,034.0	933.8	1,019.3	887.8	984.1	944.1	1,395.0	1,154.0	928.1	907.8	801.6	839.5	784.7	1,116.1
In foreign currency	496.5	431.1	666.8	1,225.4	1,137.1	982.8	833.3	625.9	666.3	890.6	922.1	945.8	1,253.9	751.4	1,074.1	1,338.4	889.8	730.5	387.8	309.6	475.0	570.3	567.2	314.6
Other deposits	2,191.5	1,932.9	1,743.4	1,814.0	1,689.1	1,818.3	1,329.4	1,501.2	1,170.3	1,584.3	1,458.5	1,637.3	1,411.1	1,299.7	1,300.9	1,367.0	944.2	1,185.8	1,019.3	1,016.3	836.0	670.8	679.9	983.9
In national currency	2,174.5	1,920.4	1,715.5	1,795.5	1,673.7	1,624.9	1,299.1	1,405.8	1,141.2	1,421.1	1,429.0	1,356.5	1,285.6	1,147.4	1,135.5	1,189.2	675.2	812.6	685.8	680.9	541.8	406.8	450.9	700.7
In foreign currency	17.0	12.5	27.9	18.5	15.4	193.4	30.3	95.4	29.1	163.2	29.5	280.8	125.5	152.3	165.4	177.8	269.0	373.2	333.4	335.5	294.3	264.0	228.9	283.1

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Table II.6 Monetary Aggregates (end of period in N$ million)

		Currency in circulation	Transferable deposits	Narrow money (M1)	Other deposits	Securities included in M2	Broad money supply (M2)
		1	2	3	4	5	6
				1+2 = 3			3+4+5=6
2004		**632.7**	**8,937.1**	**9,569.8**	**6,259.1**	**-**	**15,828.9**
2005		**680.0**	**8,728.8**	**9,408.9**	**7,961.4**	**-**	**17,370.2**
2006		**763.4**	**12,937.7**	**13,701.0**	**8,833.3**	**5.9**	**22,540.2**
2006	**Jan**	**646.9**	**9,213.5**	**9,860.4**	**7,936.0**	**-**	**17,796.4**
	Feb	663.0	9,693.6	10,356.6	7,000.6	11.7	17,368.8
	Mar	681.0	10,752.9	11,433.9	7,308.9	11.5	18,754.2
	Apr	714.6	10,726.7	11,441.3	7,679.9	11.5	19,132.8
	May	678.8	11,228.7	11,907.5	7,800.1	9.5	19,717.0
	Jun	726.7	11,366.5	12,093.2	8,446.0	9.5	20,548.8
	Jul	727.4	11,743.4	12,470.8	8,494.2	8.0	20,973.0
	Aug	767.4	11,544.1	12,311.4	8,312.2	5.8	20,629.4
	Sep	785.6	12,065.2	12,850.9	8,655.2	5.8	21,511.9
	Oct	772.0	13,562.1	14,334.1	7,898.1	5.9	22,238.1
	Nov	839.7	13,412.7	14,252.4	8,359.3	5.9	22,617.5
	Dec	763.4	12,937.7	13,701.0	8,833.3	5.9	22,540.2
2007	**Jan**	**739.1**	**13,791.9**	**14,531.1**	**8,707.6**	**5.9**	**23,244.6**
	Feb	731.3	13,916.8	14,648.1	8,400.5	5.9	23,054.5
	Mar	797.4	14,029.6	14,827.1	7,756.7	5.9	22,589.7
	Apr	744.5	14,126.1	14,870.6	8,193.0	5.9	23,069.5
	May	777.4	14,154.3	14,931.6	8,562.0	5.9	23,499.5
	Jun	814.5	12,547.1	13,361.6	9,129.7	5.9	22,497.2
	Jul	794.8	14,869.9	15,664.7	9,183.9	5.9	24,854.5
	Aug	883.1	15,021.7	15,904.8	9,026.7	5.9	24,937.4
	Sep	861.8	14,373.6	15,235.4	10,459.9	5.9	25,701.2
	Oct	806.5	14,269.3	15,075.9	9,910.3	6.0	24,992.1
	Nov	806.0	15,193.9	15,999.9	10,194.4	6.0	26,200.2
	Dec	820.3	13,815.9	14,636.2	10,166.1	6.0	24,808.3
2008	**Jan**	**782.5**	**14,728.2**	**15,510.7**	**10,391.8**	**6.0**	**25,908.5**
	Feb	882.0	16,645.4	17,527.4	10,184.0	3.9	27,715.4
	Mar	928.2	16,362.1	17,290.3	9,735.3	3.9	27,029.5
	Apr	937.8	16,717.4	17,655.2	10,127.0	3.9	27,786.1
	May	960.0	16,419.8	17,379.8	10,390.7	3.9	27,774.4
	Jun	957.3	17,270.4	18,227.7	9,772.6	3.9	28,004.2
	Jul	986.0	18,716.1	19,702.1	10,070.2	3.9	29,776.2
	Aug	1,059.4	17,760.8	18,820.2	9,350.1	3.9	28,174.2
	Sep	1,076.4	17,977.0	19,053.4	9,931.9	3.9	28,989.3
	Oct	1,234.3	16,394.4	17,628.7	11,543.3	3.9	29,175.9
	Nov	1,221.0	17,275.8	18,496.8	11,214.6	3.9	29,715.3
	Dec	1,140.4	17,430.1	18,570.6	10,666.4	3.9	29,240.8

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Table II.7 Monetary analysis (end of period in N$ million)

		Broad money supply (M2)	Determinants of money supply						
			Net foreign assets (cumulative flow)	Claims on the Central Government				Claims on private sectors	Other items net
				Gross claims	Government deposits	Other liabilities	Net claims on Government		
2006	Jan	17,796.4	891.4	2,419.1	1,558.4	39.8	820.9	24,336.0	-8,251.9
	Feb	17,368.8	418.4	2,155.8	1,338.1	39.8	778.0	25,045.4	-8,872.9
	Mar	18,754.2	723.3	2,528.4	1,386.6	53.7	1,088.2	25,455.3	-8,512.5
	Apr	19,132.8	1,834.6	2,426.7	2,542.3	53.7	-169.3	25,985.6	-8,518.2
	May	19,717.0	1,700.7	2,543.8	2,196.4	53.7	293.7	26,652.0	-8,929.3
	Jun	20,548.8	1,459.0	2,661.9	1,997.7	53.7	610.4	27,051.4	-8,572.1
	Jul	20,973.0	2,295.9	2,555.8	2,871.4	53.8	-369.4	27,555.0	-8,508.6
	Aug	20,629.4	1,993.0	2,563.6	2,409.8	53.8	100.0	27,781.6	-9,245.2
	Sep	21,511.9	3,944.3	2,464.0	2,229.3	51.1	183.6	27,756.5	-10,372.4
	Oct	22,238.1	5,445.8	2,578.7	3,193.1	64.1	-678.6	28,190.8	-10,719.9
	Nov	22,617.5	4,625.8	2,571.8	2,499.2	64.2	8.4	28,328.7	-10,345.4
	Dec	22,540.2	4,844.5	2,767.3	2,589.6	64.4	113.3	28,284.2	-10,701.8
2007	Jan	23,244.6	6,128.2	2,785.2	4,920.3	64.5	-2,199.5	28,889.3	-9,573.4
	Feb	23,054.6	6,058.1	2,914.4	4,681.4	64.5	-1,831.5	29,447.2	-10,619.2
	Mar	22,589.7	6,888.5	3,098.8	5,712.0	67.3	-2,680.5	29,990.7	-11,609.0
	Apr	23,069.5	8,415.2	3,099.4	6,463.4	51.2	-3,415.1	30,040.4	-11,971.0
	May	23,499.5	8,023.0	3,012.1	5,742.7	51.2	-2,781.9	30,345.8	-12,087.5
	Jun	22,497.2	6,949.8	3,270.2	6,110.0	52.7	-2,892.5	30,685.8	-12,245.9
	Jul	24,854.4	9,292.8	3,315.5	5,853.1	52.7	-2,590.3	30,762.6	-12,610.7
	Aug	24,937.4	8,336.5	3,026.9	4,667.2	52.7	-1,693.0	30,998.6	-12,704.7
	Sep	25,701.1	7,825.5	3,037.3	4,080.3	52.7	-1,095.7	31,395.3	-12,423.9
	Oct	24,992.1	7,265.1	2,995.6	5,008.3	52.8	-2,065.6	32,528.8	-12,736.2
	Nov	26,200.2	7,689.4	3,025.3	4,740.0	52.8	-1,767.5	32,736.7	-12,458.4
	Dec	24,808.3	7,461.7	3,101.3	5,192.3	52.9	-2,143.9	32,355.9	-12,865.5
2008	Jan	25,908.5	10,362.4	2,598.5	6,216.3	52.9	-3,670.6	32,642.3	-13,425.5
	Feb	27,699.5	10,542.6	2,321.3	5,713.3	68.8	-3,460.8	33,620.3	-13,002.7
	Mar	27,029.5	10,770.7	2,416.5	5,407.0	68.8	-3,059.2	33,833.9	-14,515.9
	Apr	27,786.1	12,363.7	2,441.9	7,018.7	68.8	-4,645.6	34,282.0	-14,214.0
	May	27,774.4	11,964.6	2,465.9	6,473.2	68.9	-4,076.1	33,923.1	-14,037.2
	Jun	28,004.2	11,254.8	2,578.5	6,661.8	69.7	-4,152.9	34,481.2	-13,578.9
	Jul	29,776.2	14,588.0	2,701.0	8,318.8	69.7	-5,687.4	34,681.3	-13,805.8
	Aug	28,174.2	11,638.4	2,915.9	7,467.5	69.7	-4,621.3	35,022.0	-13,864.9
	Sep	28,989.3	12,578.7	2,848.5	7,061.9	69.7	-4,283.0	35,491.8	-14,798.2
	Oct	29,175.9	16,518.0	2,762.4	8,528.9	69.7	-5,836.1	35,537.3	-17,043.2
	Nov	29,715.3	15,672.4	2,617.5	7,301.6	69.7	-4,753.7	35,663.9	-16,867.3
	Dec	29,240.8	13,584.2	2,631.8	7,434.1	68.9	-4,643.0	36,578.0	-16,278.4

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Table II.8 Changes in determinants of money supply (end of period in N$ million)

		Broad money supply (M2)	Determinants of money supply						
			Net foreign assets (cumulative flow)	Claims on the Central Government				Claims on other sectors	Other items net
				Gross claims	Government deposits	Other liabilities	Net claims on Government		
2007	**Jan**	**704.4**	**1,283.7**	**17.9**	**2,330.7**	**0.1**	**-2,312.9**	**605.2**	**1,128.4**
	Feb	-190.0	-70.1	129.2	-238.9	0.1	368.0	557.8	-1,045.8
	Mar	-464.9	830.4	184.4	1,030.6	2.8	-848.9	543.5	-989.8
	Apr	479.8	1,526.7	0.6	751.4	-16.1	-734.7	49.8	-362.0
	May	430.0	-392.2	-87.3	-720.6	0.0	633.3	305.4	-116.5
	Jun	-1,002.3	-1,073.3	258.1	367.3	1.5	-110.6	340.0	-158.4
	Jul	2,357.2	2,343.1	45.3	-257.0	0.0	302.2	76.8	-364.8
	Aug	82.9	-956.3	-288.6	-1,185.9	0.0	897.3	236.0	-94.0
	Sept	763.8	-511.0	10.4	-586.8	0.0	597.2	396.7	280.8
	Oct	-709.0	-560.4	-41.7	928.0	0.2	-969.8	1,133.5	-312.3
	Nov	1,208.1	424.4	29.7	-268.3	0.0	298.0	207.8	277.9
	Dec	-1,391.9	-227.7	76.1	452.3	0.1	-376.3	-380.7	-407.1
2008	**Jan**	**1,100.1**	**2,900.7**	**-502.8**	**1,023.9**	**0.0**	**-1,526.8**	**286.3**	**-560.1**
	Feb	1,791.0	180.2	-277.2	-502.9	15.9	209.9	978.1	422.8
	Mar	-670.0	228.1	95.2	-306.3	0.0	401.5	213.6	-1,513.2
	Apr	756.6	1,592.9	25.4	1,611.7	0.0	-1,586.3	448.1	301.9
	May	-11.7	-399.0	24.0	-545.6	0.1	569.5	-358.9	176.8
	Jun	229.8	-709.8	112.6	188.6	0.8	-76.8	558.1	458.3
	Jul	1,772.0	3,333.2	122.5	1,657.0	0.0	-1,534.5	200.2	-226.9
	Aug	-1,602.0	-2,949.6	214.9	-851.3	0.0	1,066.1	340.6	-59.1
	Sep	815.0	940.3	-67.4	-405.6	0.0	338.2	469.8	-933.3
	Oct	-186.7	-3,939.3	86.0	-1,467.0	0.0	1,553.1	-45.5	2,245.0
	Nov	-539.4	845.6	144.9	1,227.3	0.0	-1,082.5	-126.7	-175.9
	Dec	474.5	2,088.2	-14.2	-132.5	0.8	-110.6	-914.1	-588.9

Table II.9 Selected interest rates: Namibia and South Africa

		Prime lending rate		Average lending rate		Treasury bill rate (3 month)		Deposit rates		Bank rate	Repo rate
		Namibia	SA	Namibia	SA	Namibia	SA	Namibia	SA	Namibia	SA
2005	Jan	12.25	11.00	10.68	11.00	7.67	7.29	6.18	6.72	7.50	7.50
	Feb	12.25	11.00	10.66	11.00	7.58	7.23	6.18	6.71	7.50	7.50
	Mar	12.25	11.00	10.56	11.00	7.58	7.20	6.53	6.77	7.50	7.50
	Apr	11.75	10.50	10.66	10.50	7.59	6.95	6.5	6.77	7.00	7.00
	May	11.75	10.50	10.58	10.50	6.8	6.75	6.31	6.48	7.00	7.00
	Jun	11.75	10.50	10.52	10.50	6.16	6.76	6.21	6.48	7.00	7.00
	Jul	11.75	10.50	10.52	10.50	7.11	6.73	6.13	6.48	7.00	7.00
	Aug	11.75	10.50	10.50	10.50	6.71	6.73	6.06	6.48	7.00	7.00
	Sep	11.75	10.50	10.77	10.50	6.75	6.74	6.13	6.66	7.00	7.00
	Oct	11.75	10.50	10.55	10.50	6.93	6.79	5.98	6.82	7.00	7.00
	Nov	11.75	10.50	10.54	10.50	6.93	6.89	60.2	7.06	7.00	7.00
	Dec	11.75	10.50	10.78	10.50	7.01	6.82	5.99	6.75	7.00	7.00
2006	Jan	11.75	10.50	10.46	10.50	7.03	6.74	6.09	6.59	7.00	7.00
	Feb	11.75	10.50	10.69	10.50	6.94	6.68	6.1	6.58	7.00	7.00
	Mar	11.75	10.50	10.78	10.50	6.67	6.53	6.11	6.62	7.00	7.00
	Apr	11.75	10.50	10.58	10.50	6.63	6.65	6.31	6.59	7.00	7.00
	May	11.75	10.50	10.80	10.50	6.5	6.80	6.13	6.75	7.00	7.00
	Jun	12.25	11.00	10.61	11.00	6.77	7.11	6.24	7.32	7.50	7.50
	Jul	12.25	11.00	10.93	11.00	7.23	7.28	6.18	7.46	7.50	7.50
	Aug	12.75	11.50	11.01	11.50	7.56	7.69	6.34	7.92	8.00	8.00
	Sep	12.75	11.50	11.71	11.50	7.57	7.75	6.22	8.08	8.00	8.00
	Oct	13.25	12.00	11.97	12.00	7.52	8.22	6.37	8.36	8.50	8.50
	Nov	13.25	12.00	12.2	12.00	7.95	8.23	6.64	8.57	8.50	8.50
	Dec	13.25	12.50	12.43	12.50	7.95	8.39	6.85	8.57	9.00	9.00
2007	Jan	13.75	12.50	12.63	12.50	8.36	8.87	6.98	9.00	9.00	9.00
	Feb	13.75	12.50	12.32	12.50	8.22	8.41	7.38	8.99	9.00	9.00
	Mar	13.75	12.50	11.90	12.50	8.06	8.26	7.22	8.93	9.00	9.00
	Apr	13.75	12.50	12.44	12.50	8.00	8.32	7.18	9.22	9.00	9.00
	May	13.75	12.50	12.65	12.50	8.11	8.68	7.34	9.23	9.00	9.00
	Jun	14.25	13.00	12.22	12.88	8.03	9.10	7.24	9.59	9.50	9.50
	Jul	14.25	13.00	13.03	13.00	8.66	8.86	7.49	9.93	9.50	9.50
	Aug	14.75	13.50	12.85	13.25	8.98	9.26	7.68	10.15	10.00	10.00
	Sep	14.75	13.50	12.89	13.50	9.24	9.43	7.74	10.11	10.00	10.00
	Oct	15.25	14.00	13.56	13.81	9.16	9.96	7.95	10.39	10.50	10.50
	Nov	15.25	14.00	14.53	14.00	9.19	10.43	8.08	10.65	10.50	10.50
	Dec	15.25	14.50	13.59	14.39	9.80	10.52	8.28	10.92	10.50	11.00
2008	Jan	15.25	14.50	14.01	14.50	9.70	10.37	8.13	10.82	10.50	11.00
	Feb	15.25	14.50	14.18	14.50	9.24	10.24	8.23	10.32	10.50	11.00
	Mar	15.25	14.50	13.93	14.50	9.20	10.04	8.35	10.99	10.50	11.00
	Apr	15.25	15.00	13.14	14.82	9.15	10.46	8.14	11.05	10.50	11.50
	May	15.25	15.00	13.20	15.00	9.36	11.55	8.29	11.51	10.50	11.50
	Jun	15.25	15.50	13.49	15.29	10.19	11.38	8.33	11.20	10.50	12.00
	Jul	15.25	15.50	13.13	15.50	10.74	11.35	8.28	12.02	10.50	12.00
	Aug	15.25	15.50	13.80	15.50	10.79	11.16	8.40	11.91	10.50	12.00
	Sep	15.25	15.50	13.91	15.50	10.89	11.11	8.54	11.99	10.50	12.00
	Oct	15.25	15.50	13.99	15.50	11.22	10.93	8.70	12.00	10.50	12.00
	Nov	15.25	15.50	14.32	15.50	11.26	10.85	8.62	11.95	10.50	12.00
	Dec	14.75	15.00	13.74	15.21	11.29	10.77	8.60	11.61	10.00	11.50

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Table III.1(a) Treasury bills auction - N$ million

T-bills	Period	Offer	Tendered	Surplus(+) Deficit (-)	Effective Yield %
91 days	**2007**				
	Jan	50.0	146.5	96.5	8.7
	Feb	100.0	229.0	129.0	8.6
	Mar	150.0	262.4	112.4	8.5
	Apr	50.0	150.0	100.0	8.4
	May	100.0	292.2	192.2	8.5
	Jun	150.0	223.3	73.3	8.5
	Jul	50.0	105.7	55.7	9.1
	Aug	100.0	145.0	45.0	9.5
	Sep	150.0	332.4	182.4	9.8
	Oct	50.0	93.6	43.6	9.7
	Nov	100.0	206.5	106.5	9.7
	Dec	150.0	301.0	151.0	9.8
	2008				
	Jan	50.0	186.5	136.5	9.7
	Feb	100.0	342.0	242.0	9.2
	Mar	150.0	216.3	66.3	9.2
	Apr	100.0	183.1	83.1	9.2
	May	100.0	174.8	74.8	9.4
	June	200.0	270.5	70.5	10.2
	July	150.0	209.2	59.2	10.7
	Aug	150.0	152.5	2.5	10.8
	Sep	200.0	159.0	-41.0	10.9
	Oct	150.0	151.3	1.3	11.2
	Nov	150.0	231.3	81.3	11.3
	2009				
	Jan	150.0	274.0	124.0	11.2
	Feb	150.0	190.0	40.0	10.9
182 days	**2007**				
	Jan	50.0	134.5	84.5	8.4
	Feb	120.0	288.2	168.2	8.4
	Mar	300.0	753.7	453.7	8.6
	Apr	0.0	0.0	0.0	0.0
	May	150.0	341.1	191.1	8.6
	Jun	200.0	487.2	287.2	8.4
	Jul	50.0	198.3	148.3	9.5
	Aug	320.0	322.2	2.1	9.8
	Sep	100.0	206.0	106.0	10.0
	Nov	150.0	300.0	150.0	10.0
	Dec	200.0	317.5	117.5	10.1
	2008				
	Jan	50.0	168.7	118.7	9.9
	Feb	320.0	750.6	430.6	9.3
	Mar	100.0	175.9	75.9	9.3
	May	150.0	253.8	103.8	9.5
	June	200.0	252.0	52.0	10.0
	July	100.0	228.0	128.0	12.0
	Aug	350.0	790.4	440.4	11.8
	Sep	150.0	270.0	120.0	11.8
	Nov	150.0	238.8	88.8	11.7
	2009				
	Jan	100.0	361.7	261.7	11.1
	Feb	150.0	439.0	289.0	10.4
365 days	**2007**				
	Feb	100.0	320.1	220.1	9.0
	Mar	100.0	326.6	226.6	8.9
	Apr	100.0	264.0	164.0	8.9
	May	250.0	766.2	516.2	8.8
	Jun	330.0	598.9	268.9	8.6
	Jul	100.0	166.0	66.0	10.0
	Aug	200.0	422.7	222.7	10.1
	Sep	250.0	493.8	243.8	10.2
	Oct	50.0	124.9	74.9	10.1
	Nov	250.0	407.0	157.0	10.2
	Dec	150.0	342.2	192.2	10.3
	2008				
	Feb	100.0	297.4	197.4	9.5
	Mar	100.0	127.0	27.0	9.7
	Apr	150.0	162.0	12.0	9.9
	May	380.0	485.9	105.9	10.4
	June	200.0	205.0	5.0	11.6
	July	150.0	181.9	31.9	12.6
	Aug	200.0	858.5	658.5	12.3
	Sep	300.0	854.6	554.6	11.9
	Oct	100.0	216.2	116.2	11.9
	Nov	250.0	432.6	182.6	11.6
	Dec	200.0	385.2	185.2	11.4
	2009				
	Feb	100.0	404.0	304.0	10.2

Table III.1(b) Allotment of Government of Namibia treasury bills - N$ '000

Date issued	Date due	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-banking Financial Institutions	Other Public Enterprises	Private Sector	TOTAL	Amount Outstanding
2007									
Jan	04/07	40,000.0	0.0	40,000.0	10,000.0	0.0	0.0	50,000.0	4,250,010.0
Jan*	07/07	50,000.0	0.0	50,000.0	0.0	0.0	0.0	50,000.0	4,250,010.0
Jan**	01/07	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,210,010.0
Feb	05/07	98,800.0	0.0	98,800.0	1,200.0	0.0	0.0	100,000.0	4,210,010.0
Feb*	08/07	117,000.0	0.0	117,000.0	3,000.0	0.0	0.0	120,000.0	4,130,010.0
Feb**	02/07	90,000.0	0.0	90,000.0	10,000.0	0.0	0.0	100,000.0	4,130,000.0
Mar	06/07	122,710.0	0.0	122,710.0	25,470.0	0.0	1,820.0	150,000.0	4,130,000.0
Mar*	08/07	170,010.0	0.0	170,010.0	28,420.0	0.0	1,570.0	200,000.0	4,080,000.0
Mar*	09/07	99,520.0	0.0	99,520.0	480.0	0.0	0.0	100,000.0	4,080,000.0
Mar**	03/09	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,980,000.0
Mar**	03/07	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,950,000.0
April	07/07	45,010.0	0.0	45,010.0	4,990.0	0.0	0.0	50,000.0	3,950,000.0
April**	04/08	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,950,000.0
April**	04/07	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,850,000.0
May	08/07	87,800.0	0.0	87,800.0	12,200.0	0.0	0.0	100,000.0	3,850,000.0
May*	11/07	93,970.0	0.0	93,970.0	56,020.0	0.0	0.0	149,990.0	3,849,990.0
May**	05/08	150,000.0	0.0	150,000.0	0.0	0.0	0.0	150,000.0	3,849,990.0
May**	05/08	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,699,990.0
Jun	09/07	132,720.0	0.0	132,720.0	15,450.0	0.0	1,830.0	150,000.0	3,699,990.0
Jun*	12/07	200,000.0	0.0	200,000.0	0.0	0.0	0.0	200,000.0	3,699,990.0
Jun**	05/08	130,000.0	0.0	130,000.0	0.0	0.0	0.0	130,000.0	3,699,990.0
Jun**	06/08	195,300.0	0.0	195,300.0	1,500.0	3,200.0	0.0	200,000.0	3,699,990.0
Jul	10/07	35,000.0	0.0	35,000.0	15,000.0	0.0	0.0	50,000.0	3,699,990.0
Jul*	01/08	30,000.0	0.0	30,000.0	20,000.0	0.0	0.0	50,000.0	3,699,990.0
Jul**	07/08	83,000.0	0.0	83,000.0	17,000.0	0.0	0.0	100,000.0	3,599,990.0
Aug	11/07	80,830.0	0.0	80,830.0	18,670.0	0.0	500.0	100,000.0	3,599,990.0
Aug*	02/08	110,000.0	0.0	110,000.0	9,000.0	0.0	1,000.0	120,000.0	3,599,990.0
Aug*	02/08	153,450.0	0.0	153,450.0	45,550.0	0.0	1,000.0	200,000.0	3,599,990.0
Aug**	08/08	30,250.0	0.0	30,250.0	19,750.0	0.0	0.0	50,000.0	3,499,990.0
Sep	12/07	113,650.0	0.0	113,650.0	34,000.0	0.0	2,350.0	150,000.0	3,499,990.0
Sep*	03/08	91,000.0	0.0	91,000.0	9,000.0	0.0	0.0	100,000.0	3,499,990.0
Sept**	09/08	123,290.0	0.0	123,290.0	26,710.0	0.0	0.0	150,000.0	3,299,990.0
Sept**	09/08	49,000.0	0.0	49,000.0	51,000.0	0.0	0.0	100,000.0	3,249,990.0
Oct	01/08	36,810.0	0.0	36,810.0	13,190.0	0.0	0.0	50,000.0	3,249,990.0
Oct**	10/08	45,400.0	0.0	45,400.0	4,600.0	0.0	0.0	50,000.0	3,249,990.0
Nov	02/08	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,249,990.0
Nov*	05/08	129,960.0	0.0	129,960.0	19,740.0	0.0	300.0	150,000.0	3,250,000.0
Nov**	11/08	228,000.0	0.0	228,000.0	22,000.0	0.0	0.0	250,000.0	3,200,000.0
Nov**		0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,100,000.0
Dec	03/08	133,250.0	0.0	133,250.0	16,250.0	0.0	500.0	150,000.0	3,100,000.0
Dec*	06/08	165,000.0	0.0	165,000.0	35,000.0	0.0	0.0	200,000.0	3,100,000.0
Dec**	12/08	122,290.0	0.0	122,290.0	27,710.0	0.0	0.0	150,000.0	3,000,000.0
2008									
Jan	04/08	0.0	0.0	0.0	48,220.0	0.0	1,780.0	50,000.0	3,000,000.0
Jan*	07/08	40,000.0	0.0	40,000.0	10,000.0	0.0	0.0	50,000.0	3,000,000.0
Feb	05/08	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,000,000.0
Feb*	08/08	72,000.0	0.0	72,000.0	48,000.0	0.0	0.0	120,000.0	3,000,000.0
Feb*	08/08	177,000.0	0.0	177,000.0	23,000.0	0.0	0.0	200,000.0	3,000,000.0
Feb**	02/09	70,000.0	0.0	70,000.0	30,000.0	0.0	0.0	100,000.0	3,000,000.0
Mar	06/08	149,490.0	0.0	149,490.0	510.0	0.0	0.0	150,000.0	3,000,000.0
Mar*	09/08	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,000,000.0
Mar**	03/09	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,000,000.0
April	07/08	48,660.0	0.0	48,660.0	51,340.0	0.0	0.0	100,000.0	3,050,000.0
April**	04/09	150,000.0	0.0	150,000.0	0.0	0.0	0.0	150,000.0	3,100,000.0
May	08/08	98,210.0	0.0	98,210.0	1,790.0	0.0	0.0	100,000.0	3,100,000.0
May*	11/08	149,690.0	0.0	149,690.0	0.0	0.0	310.0	150,000.0	3,100,000.0
May**	05/09	145,000.0	0.0	145,000.0	0.0	0.0	5,000.0	150,000.0	3,100,000.0
May**	05/09	100,000.0	0.0	100,000.0	0.0	0.0	0.0	100,000.0	3,100,000.0
May**	06/09	130,000.0	0.0	130,000.0	0.0	0.0	0.0	130,000.0	3,100,000.0
June	09/08	199,480.0	0.0	199,480.0	0.0	0.0	520.0	200,000.0	3,150,000.0
June*	12/08	200,000.0	0.0	200,000.0	0.0	0.0	0.0	200,000.0	3,150,000.0
June**	06/09	200,000.0	0.0	200,000.0	0.0	0.0	0.0	200,000.0	3,150,000.0
July	10/08	143,800.0	0.0	143,800.0	0.0	0.0	6,200.0	150,000.0	3,200,000.0
July*	01/09	88,150.0	0.0	88,150.0	11,850.0	0.0	0.0	100,000.0	3,250,000.0
July**	07/09	130,000.0	0.0	130,000.0	20,000.0	0.0	0.0	150,000.0	3,300,000.0
Aug	11/08	148,690.0	0.0	148,690.0	0.0	0.0	1,310.0	150,000.0	3,350,000.0
Aug*	02/09	102,000.0	0.0	102,000.0	48,000.0	0.0	0.0	150,000.0	3,380,000.0
Aug*	02/09	200,000.0	0.0	200,000.0	0.0	0.0	0.0	200,000.0	3,380,000.0
Aug**	07/09	33,580.0	0.0	33,580.0	16,420.0	0.0	0.0	50,000.0	3,380,000.0
Aug**	08/09	125,000.0	0.0	125,000.0	25,000.0	0.0	0.0	150,000.0	3,380,000.0
Sept	12/08	155,000.0	0.0	155,000.0	0.0	0.0	0.0	155,000.0	3,335,000.0
Sept*	03/09	134,470.0	0.0	134,470.0	15,530.0	0.0	0.0	150,000.0	3,385,000.0
Sept**	09/09	40,000.0	0.0	40,000.0	110,000.0	0.0	0.0	150,000.0	3,385,000.0
Sept**	09/09	89,760.0	0.0	89,760.0	60,240.0	0.0	0.0	150,000.0	3,435,000.0
Oct	01/09	143,660.0	0.0	143,660.0	6,340.0	0.0	0.0	150,000.0	3,435,000.0
Oct**	10/09	57,900.0	0.0	57,900.0	42,100.0	0.0	0.0	100,000.0	3,485,000.0
Nov	02/09	148,690.0	0.0	148,690.0	0.0	0.0	1,310.0	150,000.0	3,485,000.0
Nov*	05/09	149,130.0	0.0	149,130.0	0.0	0.0	870.0	150,000.0	3,485,000.0
Nov**	11/09	157,590.0	0.0	157,590.0	91,810.0	0.0	600.0	250,000.0	3,485,000.0
Dec	03/09	125,000.0	0.0	125,000.0	0.0	0.0	0.0	125,000.0	3,455,000.0
Dec*	06/09	165,000.0	0.0	165,000.0	35,000.0	0.0	0.0	200,000.0	3,455,000.0
Dec**	12/09	160,000.0	0.0	160,000.0	40,000.0	0.0	0.0	200,000.0	3,505,000.0
2009									
Jan	05/09	143,790.0	0.0	143,790.0	0.0	0.0	6,210.0	150,000.0	3,505,000.0
Jan*	07/09	98,000.0	0.0	98,000.0	2,000.0	0.0	0.0	100,000.0	3,505,000.0
Feb	05/09	125,000.0	0.0	125,000.0	25,000.0	0.0	0.0	150,000.0	3,505,000.0
Feb*	08/09	54,700.0	0.0	54,700.0	95,300.0	0.0	0.0	150,000.0	3,505,000.0
Feb**	02/10	30,000.0	0.0	30,000.0	69,520.0	0.0	480.0	100,000.0	3,505,000.0

91 days
* 182 days
** 365 days

Table III.2(a) Internal registered stock auction - N$ million

IRS	Period	Offer	Amount Tendered	Surplus (+) Deficit (-)	Weighted YTM %
GC12 (10.50%)					
	2006				
	Feb	40.0	108.2	68.2	8.7
	Mar	40.0	138.0	98.0	8.5
	May	40.0	85.0	45.0	8.5
	Jun	40.0	46.5	6.5	9.4
	Jul	40.0	65.3	25.3	9.8
	Aug	40.0	82.0	42.0	9.8
	Sep	80.0	40.5	-39.5	9.7
	Oct	40.0	130.9	90.9	9.8
	Nov	40.0	87.9	47.9	9.2
	Dec	40.0	138.5	98.5	9.3
	2007				
	Jan	40.0	160.0	120.0	9.3
	Feb	40.0	138.5	98.5	8.9
	Mar	40.0	162.4	122.4	8.7
	2008				
	Apr	40.0	217.5	177.5	9.8
	Jun	40.0	188.7	148.7	11.8
	Jul	90.0	201.9	111.9	11.6
	Sep	40.0	54.5	14.5	9.9
	Oct	40.0	41.0	1.0	9.6
	2009				
	Jan	40.0	65.0	25.0	8.4
	Feb	40.0	50.0	10.0	8.2
GC15 (13.00%)					
	2006				
	Jan	40.0	74.9	34.9	9.1
	Apr	40.0	226.0	186.0	8.8
	May	40.0	100.0	60.0	8.8
	Jun	40.0	91.5	51.5	9.4
	Jul	40.0	55.0	15.0	9.9
	Sep	80.0	64.3	-15.7	8.8
GC18 (9.50%)					
	2008				
	Jun	80.0	227.3	147.3	11.1
	Jul	100.0	190.2	90.2	11.1
	Sep	40.0	82.3	42.3	9.5
	Oct	40.0	39.0	-1.0	9.6
	2009				
	Jan	40.0	20.0	-20.0	9.0
	Feb	40.0	83.2	43.2	9.8
GC24 (10.50%)					
	2006				
	Jan	40.0	65.00	25.0	9.1
	Feb	40.0	107.5	67.5	9.1
	Apr	40.0	83.4	43.4	9.1
	Jun	40.0	65.0	25.0	9.7
	Jul	40.0	85.5	45.5	10.2
	Aug	40.0	71.7	31.7	10.2
	Sep	80.0	66.0	-14.0	10.4
	Oct	40.0	53.5	13.5	0.0
	Nov	40.0	98.5	58.5	9.5
	Dec	40.0	98.5	58.5	9.3
	2007				
	Jan	40.0	42.5	2.5	9.3
	Feb	40.0	75.0	35.0	9.1
	Mar	40.0	129.0	89.0	8.9
	2008				
	Apr	40.0	146.0	106.0	9.6
	Jun	40.0	83.9	43.9	11.0
	Jul	90.0	60.9	-29.1	10.9
	Sep	40.0	111.7	71.7	9.4
	Oct	40.0	25.9	-14.2	9.5
	2009				
	Feb	40.0	42.0	2.0	9.7

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Table III.2(b) Allotment of Government of Namibia internal registered stock - N$ '000

Date issued	Date due	Coupon rate [%]	Deposit Money Banks	Other Banking Institutions	Banking Sector	Non-bank Financial Institutions	Other Public Enterprises	Private Sector	TOTAL	Amount Outstand-ing
2007										
Jan	10/24	10.50	35,000.0	0.0	35,000.0	5,000.0	0.0	0.0	40,000.0	6,777,847.2
Jan	10/12	10.50	0.0	29,570.0	29,570.0	10,430.0	0.0	0.0	40,000.0	6,817,847.2
Feb	10/12	10.50	10,000.0	0.0	10,000.0	30,000.0	0.0	0.0	40,000.0	6,857,847.2
Feb	10/24	10.50	0.0	0.0	0.0	40,000.0	0.0	0.0	40,000.0	6,897,847.2
Mar	10/12	10.50	5,300.0	0.0	5,300.0	33,320.0	0.0	1,380.0	40,000.0	6,937,847.2
Mar	10/24	10.50	13,000.0	0.0	13,000.0	27,000.0	0.0	0.0	40,000.0	6,977,847.2
Apr	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
May	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
Jun	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
Jul*	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Aug	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Sept	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Oct	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Nov	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Dec	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
2008										
Jan	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Feb	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Mar	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Apr	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,821,987.2
Apr	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,861,987.2
May	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,861,987.2
June	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,901,987.2
June	07/18	9.50	80,000.0	0.0	80,000.0	0.0	0.0	0.0	80,000.0	5,981,987.2
June	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,021,987.2
July	10/12	10.50	50,000.0	0.0	50,000.0	0.0	40,000.0	0.0	90,000.0	6,111,987.2
July	07/18	9.50	95,000.0	0.0	95,000.0	0.0	5,000.0	0.0	100,000.0	6,211,987.2
July**	10/24	10.50	55,000.0	0.0	55,000.0	200.0	0.0	690.0	55,890.0	5,685,677.2
Aug	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,685,677.2
Sept	10/12	10.50	37,500.0	0.0	37,500.0	2,500.0	0.0	0.0	40,000.0	5,725,677.2
Sept	07/18	9.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,765,677.2
Sept	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,805,677.2
Oct	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,845,677.2
Oct	07/18	9.50	29,000.0	0.0	29,000.0	0.0	0.0	0.0	29,000.0	5,874,677.2
Oct	10/24	10.50	10,000.0	0.0	10,000.0	0.0	0.0	0.0	10,000.0	5,884,677.2
Nov	N/A	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,884,677.2
Dec	10/12	10.50	20,000.0	0.0	20,000.0	0.0	0.0	0.0	20,000.0	5,904,677.2
Dec	07/18	9.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,944,677.2
Dec	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,984,677.2
2009										
Jan	10/15	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,024,677.2
Jan	07/15	9.50	10,000.0	0.0	10,000.0	0.0	0.0	0.0	10,000.0	6,034,677.2
Feb	10/12	10.50	22,000.0	0.0	22,000.0	0.0	0.0	0.0	22,000.0	6,056,677.2
Feb	07/18	9.50	34,800.0	0.0	34,800.0	5,000.0	0.0	200.0	40,000.0	6,096,677.2
Feb	10//24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,136,677.2

*Redemption of GC07

**Redemption of GC08

N/A implies not applicable since no auctions took place during this period.

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Table III.3 Central Government revenue and expenditure - N$ million

			Revised	Estimate	Forecast	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
REVENUE						
Tax on income and profits	5,676.0	6,729.7	7,338.0	6,967.5	7,616.4	8,340.5
Taxes on properties	142.0	148.9	133.0	133.4	141.0	152.0
Domestic taxes on goods and services	3,197.0	4,081.5	3,686.0	3,441.1	3,545.3	3,822.5
Tax on international trade (SACU)	6,698.0	8,085.1	8,882.0	9,331.6	7,871.0	8,360.1
Other taxes	130.0	137.9	147.0	306.0	317.0	342.0
Total tax revenue	**15,843.0**	**19,183.1**	**20,186.0**	**20,179.6**	**19,490.8**	**21,017.1**
Entrepreneurial and property income	1,264.0	917.1	815.6	661.1	701.0	756.2
Fines and forfeitures	19.0	23.5	24.0	24.0	24.0	24.0
Administrative fees and charges	401.0	447.7	475.5	536.9	595.1	620.8
Other non-tax revenue	0.0	0.0	199.8	0.0	1.1	0.1
Total non-tax revenue	**1,684.0**	**1,388.4**	**1,515.0**	**1,221.6**	**1,321.3**	**1,401.1**
Return on capital from lending & equity participation	**17.0**	**16.1**	**34.0**	**26.9**	**27.0**	**26.0**
Total revenue (own sources)	**17,544.0**	**20,587.6**	**21,735.0**	**21,428.1**	**20,839.0**	**22,444.1**
Grants	**50.0**	**78.0**	**238.0**	**350.0**	**308.0**	**244.0**
TOTAL REVENUE AND GRANTS	**17,594.0**	**20,665.6**	**21,973.0**	**21,778.1**	**21,147.0**	**22,688.1**
EXPENDITURE						
Current expenditure						
Personnel expenditure	6,214.7	6,805.1	7,675.9	8,899.5	10,004.0	10,176.5
Expenditure on goods and other services	2,165.0	2,778.5	3,703.8	4,256.1	4,508.0	4,682.8
Statutory expenditure	1,475.0	1,178.8	1,330.8	1,486.5	1,521.5	1,795.4
Subsidies and other current transfers	2,749.0	2,963.8	4,575.1	4,812.6	4,811.4	4,916.2
Total current expenditure	**12,603.7**	**13,726.2**	**17,285.5**	**19,454.7**	**20,844.9**	**21,570.9**
Capital expenditure						
Capital expenditure	1,763.9	1,881.1	3,636.8	4,206.0	4,142.9	3,603.6
Capital tranfers	261.8	383.4	159.4	932.9	875.4	670.5
Total lending and equity participation	650.6	1,215.8	1,129.3	470.0	241.3	241.5
Total capital expenditure	**2,676.3**	**3,480.3**	**4,925.5**	**5,608.8**	**5,259.6**	**4,515.6**
TOTAL EXPENDITURE	**15,279.3**	**17,383.3**	**22,469.1**	**25,419.8**	**26,394.4**	**26,309.3**
OVERALL DEFICIT (-)/SURPLUS (+)	**2,314.7**	**3,305.3**	**-496.1**	**-3,641.7**	**-5,247.4**	**-3,621.2**
Net borrowing	926.5	2,537.4	-1,778.6	-3,133.4	-7,717.6	-3,861.8
Decrease (+)/increase (-) in cash balance	-3,241.2	-5,842.7	2,274.7	6,775.1	12,965.0	7,483.0
TOTAL FINANCING	**-2,314.7**	**-3,305.3**	**496.1**	**3,641.7**	**5,247.4**	**3,621.2**

Source: Ministry of Finance

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Table IV.A Major balance of payments aggregates (a) (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008(p)
Merchandise trade balance	**-2,183**	**-3,481**	**-1,829**	**-1,688**	**642**	**-1,214**	**-5,873**
Exports fob	11,278	9,463	11,761	13,149	17,949	20,567	23,053
Imports fob	-13,461	-12,944	-13,590	-14,837	-17,307	-21,780	-28,926
Services (net)	**390**	**1,050**	**352**	**277**	**659**	**599**	**-578**
Credit	2,849	3,115	3,058	2,615	3,582	4,217	4,463
Debit	-2,459	-2,065	-2,706	-2,338	-2,924	-3,618	-5,041
Compensation of employees (net)	**-14**	**-31**	**-27**	**-23**	**-40**	**-16**	**-240**
Credit	45	53	56	67	67	67	67
Debit	-59	-83	-83	-90	-106	-83	-307
Investment income (net)	**121**	**1,265**	**176**	**-633**	**-202**	**-753**	**-853**
Credit	1,371	1,570	1,496	1,495	1,834	2,212	2,962
Debit	-1,250	-304	-1,320	-2,128	-2,036	-2,965	-3,815
Current transfers in cash and kind (net)	**2,895**	**3,467**	**4,304**	**4,262**	**6,428**	**7,056**	**8,846**
Credit	3,206	3,670	4,529	4,548	6,733	7,421	9,326
Debit	-310	-203	-225	-286	-306	-365	-480
Current Account Balance	**1,209**	**2,271**	**2,976**	**2,194**	**7,486**	**5,671**	**1,297**
Net capital transfers	**429**	**510**	**498**	**505**	**573**	**586**	**629**
Credit	431	512	501	509	576	590	633
Debit	-2	-3	-3	-3	-3	-3	-3
Direct investment	**1,969**	**1,204**	**1,602**	**2,530**	**2,697**	**5,144**	**6,903**
Abroad	57	79	143	80	79	-20	-42
In Namibia	1,912	1,125	1,459	2,450	2,618	5,164	6,945
Portfolio investment	**-4,441**	**-4,792**	**-5,435**	**-6,640**	**-7,528**	**-10,372**	**-8,046**
Assets	-4,310	-4,621	-5,302	-6,686	-7,576	-10,416	-8,088
Liabilities	-132	-171	-133	46	48	44	42
Other investment - long term	**612**	**418**	**-501**	**239**	**1,313**	**-1,223**	**2,402**
Assets	-204	-9	-91	-210	68	-42	-51
Liabilities	816	426	-410	448	1,245	-1,181	2,453
Other investment - short term	**410**	**406**	**151**	**489**	**-4,073**	**1,213**	**-2,788**
Assets	154	29	396	499	-2,520	942	-2,757
Liabilities	256	377	-245	-9	-1,553	270	-31
Capital and financial account excluding reserves	**-1021**	**-2254**	**-3684**	**-2877**	**-7018**	**-4652**	**-900**
Net errors and omissions	**-38**	**-879**	**620**	**696**	**2,282**	**1,784**	**-398**
Overall balance	**98**	**-862**	**-88**	**14**	**2,739**	**4,066**	**6,311**
Reserve assets	**-98**	**862**	**88**	**-14**	**-2,739**	**-4,066**	**-6,311**

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

(p) Provisional

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Table IV.B Supplementary table: Balance of payments - Services (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008 (p)
Net	**390**	**1,050**	**352**	**277**	**659**	**599**	**-578**
Credit	**2,849**	**3,115**	**3,058**	**2,615**	**3,582**	**4,217**	**4,463**
Transportation	374	407	163	143	691	843	851
Travel	2,281	2,498	2,605	2,211	2,601	3,058	3,121
Insurance	2	-0	0	0	12	36	26
Communication	42	64	100	106	105	105	105
Construction	16	0	0	0	0	0	0
Financial	14	0	0	0	0	0	154
Computer and information	0	0	0	0	8	9	1
Royalties and license Fees	40	0	0	0	0	0	0
Administrative and business	4	2	3	3	2	4	10
Professional and technical	0	0	12	0	4	10	22
Others, not included elsewhere	0	23	48	12	22	15	38
Government	77	119	127	138	136	136	136
Debit	**-2,459**	**-2,065**	**-2,706**	**-2,338**	**-2,924**	**-3,618**	**-5,041**
Transportation	-775	-457	-872	-829	-1,019	-1,696	-2,023
Travel	-678	-759	-790	-686	-806	-931	-933
Insurance	-124	-131	-115	-60	-128	-190	-143
Communication	-2	-2	-2	-2	-2	-2	-2
Construction	-193	-18	-28	-25	-172	-64	-201
Financial	-14	-41	-20	-60	-30	-35	-41
Computer and information	-91	-91	-95	-83	-142	-110	-155
Royalties and license fees	-18	-27	-21	-11	-21	-14	-143
Administrative and business	-185	-257	-186	-172	-189	-214	-293
Professional and technical	-249	-152	-394	-292	-305	-221	-371
Others, not included elsewhere	-32	-74	-122	-60	-51	-83	-677
Government	-98	-56	-59	-59	-59	-59	-59

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Table IV.C Supplementary table: Balance of payments - Investment income (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008 (p)
Compensation of employees, net	**-14**	**-31**	**-27**	**-23**	**-40**	**-16**	**-240**
Credit	45	53	56	67	67	67	67
Debit	-59	-83	-83	-90	-106	-83	-307
Investment income, net	**121**	**1,265**	**176**	**-633**	**-202**	**196**	**-853**
Credit	1,371	1,570	1,496	1,495	1,834	3,146	2,962
Direct investment	13	22	37	49	6	8	44
Portfolio investment	703	1,041	1,056	1,033	1,379	1,438	1,514
Other investment	655	506	402	413	450	1,700	1,404
Debit	-1,250	-304	-1,320	-2,128	-2,036	-2,950	-3,815
Direct investment	-1,032	26	-961	-1,791	-1,726	-2,605	-3,440
Portfolio investment	-82	-82	-151	-161	-168	-170	-170
Other investment	-137	-248	-209	-176	-143	-175	-206

Table IV.D Supplementary table: Balance of payments - Transfers (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008(p)
Net current transfers	**2,895**	**3,467**	**4,304**	**4,262**	**6,428**	**7,051**	**8,846**
Credit	**3,206**	**3,670**	**4,529**	**4,548**	**6,733**	**7,421**	**9,326**
Government	3,053	3,479	4,353	4,384	6,549	7,260	9,158
Grants from foreign governments, etc	282	325	317	321	319	269	335
SACU receipts	2,608	2,926	3,914	3,915	6,049	6,752	8,502
Witholding taxes	79	25	36	53	67	122	188
Other transfers received	84	204	87	96	114	117	133
Private	152	191	176	163	185	161	168
Grants received by NGO's	48	47	40	40	63	40	47
Other transfers received	104	144	136	123	121	121	121
Debit	**-310**	**-203**	**-225**	**-286**	**-306**	**-369**	**-480**
Government	-272	-171	-194	-255	-275	-338	-453
Grants to foreign governments, etc	-3	-4	-5	-5	-11	-19	-17
SACU receipts	-269	-167	-189	-250	-264	-320	-436
Witholding taxes	0	0	0	0	0	0	0
Other transfers	0	0	0	0	0	0	0
Private	-38	-32	-31	-31	-31	-31	-27
Grants received by NGO's	0	0	0	0	0	0	0
Other transfers received	-38	-32	-31	-31	-31	-31	-27
Net capital transfers	**429**	**510**	**498**	**505**	**573**	**586**	**629**
Credit	**431**	**512**	**501**	**509**	**576**	**590**	**633**
Government	424	487	475	483	550	564	607
Private	7	25	26	26	26	26	26
Debit	**-2**	**-3**	**-3**	**-3**	**-3**	**-3**	**-3**
Government	0	0	0	0	0	0	0
Private	-2	-3	-3	-3	-3	-3	-3

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Table IV.E Supplementary table: Balance of payments - Direct investment (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008(p)
Direct investment abroad	**57**	**79**	**143**	**80**	**79**	**-20**	**-42**
Equity capital	10	9	8	10	37	-20	2
Reinvested earnings	11	13	14	-13	7	3	-20
Other capital	36	57	122	84	36	-3	-24
Direct investment in Namibia	**1,912**	**1,125**	**1,459**	**2,450**	**2,618**	**5,164**	**6,945**
Equity capital	1,425	842	839	1,412	2,948	3,952	2,748
Reinvested earnings	151	-546	491	1,288	1,019	1,318	1,568
Other capital	335	829	129	-250	-1,349	-106	2,629

Table IV.F Supplementary table: Balance of payments - Portfolio investment (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008 (p)
Portfolio investment, net	**-4,441**	**-4,792**	**-5,435**	**-6,640**	**-7,528**	**-10,372**	**-8,046**
Equity	**-2,620**	**-3,002**	**-3,188**	**-4,765**	**-5,232**	**-8,453**	**-6,079**
Assets	-2,707	-3,032	-3,217	-4,797	-5,264	-8,485	-6,111
Liabilities	87	30	29	32	32	32	32
Debt	**-1,821**	**-1,790**	**-2,247**	**-1,875**	**-2,296**	**-1,919**	**-1,966**
Assets	-1,603	-1,589	-2,085	-1,889	-2,313	-1,931	-1,977
Liabilities	-219	-200	-162	14	16	12	10

Table IV.G Supplementary table: Balance of payments - Other investment (N$ million)

	2002	2003	2004	2005	2006	2007(p)	2008(p)
Long-term, net	**612**	**418**	**-501**	**239**	**1,313**	**-1,223**	**2,402**
General Government	872	283	54	53	84	8	8
Assets	-24	-32	-40	-40	-40	-40	-40
Liabilities	896	315	94	93	124	48	47
Of which: Drawings	921	367	124	199	202	183	196
Repayments	-24	-52	-30	-106	-79	-135	-149
Monetary authorities	0	0	0	0	0	0	0
Assets	0	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0
Banks	0	7	119	322	796	-14	-22
Assets	0	6	114	-21	7	3	-15
Liabilities	0	0	5	343	789	-17	-6
Other sectors	-259	128	-674	-136	433	-1,218	2,416
Assets	-179	17	-165	-149	101	-5	4
Liabilities	-80	111	-509	13	332	-1,212	2,412
Short-term, net	**410**	**406**	**151**	**489**	**-4,073**	**1,213**	**-2,788**
General Government	0	0	0	0	0	0	0
Assets	0	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0
Banks	639	383	220	469	-3,843	1,213	-1,396
Assets	347	51	277	359	-2,479	1,284	-1,578
Liabilities	293	332	-57	110	-1,364	-71	182
Other sectors	-229	23	-69	20	-230	-0	-1,392
Assets	-193	-22	119	140	-40	-342	-1,179
Liabilities	-37	45	-188	-120	-189	342	-213

Table IV.H International foreign exchange reserves stock (N$ million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
January	2,078	2,320	3,258	2,907	2,614	2,164	2,521	4,295	8,266
February	1,938	2,005	3,054	2,454	1,935	1,874	2,571	4,248	8,589
March	1,638	1,923	2,705	2,081	1,751	1,786	2,253	5,739	8,693
April	2,136	2,189	2,566	2,183	2,276	2,213	2,934	5,937	9,688
May	1,948	1,880	2,396	1,959	1,787	1,957	2,785	5,652	9,254
June	1,865	1,950	2,317	2,032	1,678	1,744	2,494	5,981	9,470
July	2,347	2,664	3,373	2,016	1,881	2,240	3,111	7,255	11,556
August	1,865	2,281	3,220	1,798	1,853	2,001	2,593	6,128	10,499
September	2,069	1,962	2,905	2,080	1,731	1,617	2,877	5,679	10,760
October	2,141	2,303	2,834	2,198	2,075	2,070	3,883	6,481	13,493
November	1,936	2,382	2,392	2,015	1,891	1,762	3,392	6,008	12,428
December	1,976	2,699	2,797	2,044	1,847	1,861	2,939	6,401	12,712

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Table IV.I(a) International investment position (N$ million)

2006

	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign assets	28,706	7,176	35,882	32,517	8,129	40,647	23,884	5,971	29,855	32,614	8,153	40,767
Direct investment	158	40	198	75	19	94	681	170	852	41	10	51
1.1 Equity capital	90	22	112	62	15	77	88	22	111	30	8	38
1.2 Other capital	68	17	86	13	3	16	0	0	0	11	3	13
Long-term	7	2	9	13	3	16	12	3	15	11	3	13
Short-term	61	15	77	0	0	0	0	0	0	0	0	0
Portfolio investment	24,459	7,412	31,871	27,203	8,228	35,431	29,157	8,940	23,561	28,796	2,523	31,319
2.1 Equity securities	18,233	5,528	23,761	20,688	5,914	26,602	21,928	6,547	18,466	21,988	1,043	23,031
2.2 Debt securities	6,226	1,884	8,110	6,515	2,314	8,829	7,229	2,393	5,095	6,807	1,480	8,287
Other investment	1,248	312	1,560	2,103	526	2,628	2,645	661	3,306	5,167	1,292	6,458
3.1 Claims of resident non-bank companies	204	51	255	367	92	459	182	45	227	177	44	221
3.1.1 Short-term loans and trade finance	152	38	191	223	56	279	103	26	129	113	28	141
3.1.2 Long-term loans	52	13	65	144	36	180	78	20	98	64	16	80
3.2 Claims of resident banks	159	40	199	690	173	863	875	219	1,093	2,728	682	3,410
3.2.1 Short-term loans	134	34	168	134	34	168	184	46	230	1,872	468	2,340
3.2.2 Long-term loans	25	6	32	556	139	695	691	173	863	856	214	1,070
3.3 Claims of resident parastatal companies	11	3	14	15	4	18	24	6	30	26	7	33
3.3.1 Short-term loans and trade finance	8	2	10	12	3	14	21	5	26	23	6	29
3.3.2 Long-term loans	3	1	4	3	1	4	3	1	4	3	1	4
3.4 Claims of local government authorities	0	0	0	0	0	0	0	0	0	0	0	0
3.4.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.4.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.5 Claims of central government	0	0	0	0	0	0	0	0	0	0	0	0
3.5.1 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.6 Currency and deposits reported by Namibian banks	676	169	845	787	197	984	1,398	349	1,747	1,994	498	2,492
3.7 Other assets	197	49	246	243	61	304	167	42	209	242	60	302
3.7.1 Other assets NES*	197	49	246	243	61	304	167	42	209	242	60	302
Reserve Assets	1,803	451	2,253	1,995	499	2,494	2,302	575	2,877	2,351	588	2,939
4.1 Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0
4.2 Special drawing rights	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reserve position in the IMF	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Foreign exchange	1,802	451	2,253	1,995	499	2,494	2,302	575	2,877	2,351	588	2,939
4.5 Other assets	0	0	0	0	0	0	0	0	0	0	0	0

2007(p)

	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign assets	38,286	9,572	47,858	42,090	10,522	52,612	44,339	11,085	55,424	45,868	11,467	57,335
Direct investment	96	24	121	59	15	74	58	15	73	85	21	106
1.1 Equity capital	71	18	89	51	13	64	53	13	66	69	17	87
1.2 Other capital	25	6	32	8	2	10	5	1	7	16	4	20
Long-term	25	6	32	8	2	10	5	1	7	16	4	20
Short-term	0	0	0	0	0	0	0	0	0	0	0	0
Portfolio investment	29,649	3,825	33,474	32,418	3,915	36,333	34,295	4,024	38,319	37,029	3,986	41,016
2.1 Equity securities	21,125	3,045	24,170	21,634	3,117	24,752	21,198	3,198	24,396	21,577	3,234	24,811
2.2 Debt securities	8,525	780	9,304	10,784	797	11,582	13,097	826	13,923	15,452	752	16,204
Other investment	6,819	1,705	8,524	8,179	2,045	10,224	9,082	2,271	11,353	7,849	1,962	9,811
3.1 Claims of resident non-bank companies	245	61	306	351	88	439	298	74	482	549	137	686
3.1.1 Short-term loans and trade finance	154	38	192	261	65	326	207	52	456	435	109	544
3.1.2 Long-term loans	91	23	114	90	22	112	91	23	26	114	28	142
3.2 Claims of resident banks	1,351	338	1,689	1,107	277	1,383	1,533	383	1,916	786	196	982
3.2.1 Short-term loans	565	141	707	352	88	440	258	64	322	258	64	322
3.2.2 Long-term loans	785	196	982	754	189	943	1,275	319	1,594	528	132	660
3.3 Claims of resident parastatal companies	28	7	35	28	7	35	29	7	36	32	8	40
3.3.1 Short-term loans and trade finance	25	6	31	24	6	31	26	6	32	29	7	36
3.3.2 Long-term loans	3	1	4	3	1	4	3	1	4	3	1	4
3.4 Claims of local government authorities	0	0	0	0	0	0	0	0	0	0	0	0
3.4.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.4.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.5 Claims of central government	0	0	0	0	0	0	0	0	0	0	0	0
3.5.1 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.6 Currency and deposits reported by Namibian banks	5,192	1,298	6,490	6,690	1,672	8,362	7,042	1,761	8,803	6,305	1,576	7,881
3.7 Other assets	4	1	5	5	1	6	92	23	115	177	44	221
3.7.1 Other assets NES*	4	1	5	5	1	6	92	23	115	177	44	221
Reserve Assets	4,591	1,148	5,739	4,784	1,196	5,980	4,543	1,136	5,679	5,121	1,280	6,401
4.1 Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0
4.2 Special drawing rights	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reserve position in the IMF	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Foreign exchange	4,591	1,148	5,739	4,784	1,196	5,980	4,543	1,136	5,679	5,121	1,280	6,401
4.5 Other assets	0	0	0	0	0	0	0	0	0	0	0	0

2008(p)

	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign assets	51,921	12,980	64,902	52,551	13,138	65,689	54,680	13,670	68,351	56,736	14,184	70,920
Direct investment	137	34	171	124	31	155	101	25	127	85	21	106
1.1 Equity capital	81	20	101	61	15	76	61	15	77	61	15	76
1.2 Other capital	56	14	70	63	16	79	40	10	50	24	6	30
Long-term	56	14	70	63	16	79	40	10	50	24	6	30
Short-term	0	0	0	0	0	0	0	0	0	0	0	0
Portfolio investment	36,473	4,297	40,770	35,477	3,599	39,076	35,946	4,681	40,627	35,006	4,623	39,629
2.1 Equity securities	20,388	3,459	23,847	19,609	2,777	22,386	18,340	3,800	22,139	16,582	3,719	20,301
2.2 Debt securities	16,085	838	16,923	15,868	822	16,690	17,607	881	18,488	18,424	904	19,328
Other investment	12,214	3,054	15,268	13,590	3,397	16,987	13,453	3,363	16,816	14,778	3,695	18,473
3.1 Claims of resident non-bank companies	394	99	493	770	192	962	933	233	1,166	1,360	340	1,700
3.1.1 Short-term loans and trade finance	295	74	369	591	148	739	740	185	925	1,274	318	1,592
3.1.2 Long-term loans	99	25	124	179	45	223	193	48	242	86	22	108
3.2 Claims of resident banks	1,377	344	1,722	1,790	447	2,237	1,097	274	1,371	738	185	923
3.2.1 Short-term loans	348	87	435	340	85	426	310	77	387	293	73	367
3.2.2 Long-term loans	1,030	257	1,287	1,449	362	1,811	787	197	983	445	111	556
3.3 Claims of resident parastatal companies	41	10	51	47	12	59	47	12	59	66	16	82
3.3.1 Short-term loans and trade finance	38	9	47	44	11	55	44	11	55	62	16	78
3.3.2 Long-term loans	3	1	4	3	1	4	3	1	4	3	1	4
3.4 Claims of local government authorities	0	0	0	0	0	0	0	0	0	0	0	0
3.4.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.4.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.5 Claims of central government	0	0	0	0	0	0	0	0	0	0	0	0
3.5.1 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
3.6 Currency and deposits reported by Namibian banks	9,416	2,354	11,770	10,093	2,523	12,616	10,870	2,717	13,587	11,722	2,931	14,653
3.7 Other assets	986	246	1,232	891	223	1,113	506	127	633	892	223	1,115
3.7.1 Other assets NES*	986	246	1,232	891	223	1,113	506	127	633	892	223	1,115
Reserve Assets	6,954	1,739	8,693	7,576	1,894	9,470	8,625	2,156	10,781	10,170	2,542	12,712
4.1 Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0
4.2 Special drawing rights	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reserve position in the IMF	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Foreign exchange	6,954	1,739	8,693	7,576	1,894	9,470	8,625	2,156	10,781	10,170	2,542	12,712
4.5 Other assets	0	0	0	0	0	0	0	0	0	0	0	0

Table IV.I(b) International investment position (N$ million)

	2006											
	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign liabilities	22,326	5,582	27,908	20,898	5,225	26,123	20,890	5,222	26,112	22,245	10,104	32,349
Direct investment	12,956	3,239	16,195	13,534	3,384	16,918	14,442	3,610	18,052	16,754	2,662	19,416
1.1 Equity capital	11,956	2,989	14,945	11,779	2,945	14,724	12,945	3,236	16,182	14,501	2,099	16,600
1.2 Other capital	1,000	250	1,250	1,755	439	2,194	1,496	374	1,870	2,253	563	2,817
Long-term	575	144	718	735	184	919	748	187	935	1,133	283	1,416
Short-term	425	106	531	1,021	255	1,276	748	187	935	1,120	280	1,401
Portfolio investment	467	117	584	467	117	584	467	117	584	467	117	584
2.1 Equity securities	78	20	98	78	20	98	78	20	98	78	20	98
2.2 Debt securities	389	97	486	389	97	486	389	97	486	389	97	486
Other Investment	8,904	2,226	11,129	6,897	1,724	8,621	5,981	1,495	7,476	5,024	7,325	12,349
3.1 Liabilities of resident non-bank companies	302	75	377	400	100	500	333	83	417	384	96	480
3.1.1 Short-term loans	84	21	106	129	32	161	227	57	283	123	31	154
3.1.2 Long-term loans	217	54	272	272	68	340	107	27	133	261	65	326
3.2 Liabilities of resident banks	1,256	314	1,570	569	142	712	264	66	330	1,119	280	1,399
3.2.1 Short-term loans	402	100	502	4	1	5	75	19	94	753	188	941
3.2.2 Long-term loans	854	214	1,068	566	141	707	189	47	236	366	92	458
3.3 Liabilities of resident parastatal companies	1,067	267	1,334	1,154	288	1,442	1,208	302	1,510	1,181	295	1,477
3.3.1 Short-term loans and trade finance	1,015	254	1,269	1,094	273	1,367	61	15	77	1,102	275	1,377
3.3.2 Long-term loans	52	13	65	60	15	75	1,147	287	1,434	80	20	100
3.4 Liabilities of local government authorities	232	58	290	232	58	290	232	58	290	232	58	290
3.4.1 Short-term loans and trade finance	229	57	287	229	57	287	3	1	4	229	57	287
3.4.2 Long-term loans	3	1	4	3	1	4	229	57	286	3	1	4
3.5 Liabilities of central government	1,475	369	1,843	1,905	476	2,381	2,140	535	2,676	186	2,340	2,526
3.5.1 Long-term loans	1,475	369	1,843	1,905	476	2,381	188	2,488	2,676	186	2,340	2,526
3.6 Currency and deposits reported by Namibian banks	1,312	328	1,640	1,692	423	2,115	858	215	1,073	914	229	1,143
3.7 Liabilities of EPZ companies	3,260	815	4,075	945	236	1,181	945	236	1,181	1,007	4,027	5,034
3.7.1 Short-term loans and trade finance	131	33	164	647	162	809	647	162	809	142	568	710
3.7.2 Long-term loans	3,129	782	3,911	297	74	372	297	74	372	865	3,459	4,324
3.8 Other liabilities	0	0	0	0	0	0	0	0	0	0	0	0
3.8.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.8.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
Net Foreign Assets (+)/Liabilities(-)	6,379	1,595	7,974	11,619	2,905	14,524	2,994	749	3,743	6,734	1,684	8,418

	2007(p)											
	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign liabilities	21,747	8,826	30,591	25,087	8,398	33,484	21,112	7,355	28,467	26,205	8,706	34,912
Direct investment	16,279	2,524	18,803	19,542	4,886	24,428	16,459	4,115	20,574	20,999	5,250	26,249
1.1 Equity capital	13,988	1,951	15,939	14,563	3,641	18,204	11,157	2,789	13,946	15,534	3,884	19,418
1.2 Other capital	2,291	573	2,864	4,979	1,245	6,224	5,302	1,326	6,628	5,465	1,366	6,831
Long-term	1,326	332	1,658	3,952	988	4,940	1,233	308	1,541	4,242	1,061	5,303
Short-term	965	241	1,206	1,027	257	1,284	4,069	1,017	5,087	1,223	306	1,529
Portfolio investment	467	117	584	467	117	584	467	117	584	467	117	584
2.1 Equity securities	78	20	98	78	20	98	78	20	98	78	20	98
2.2 Debt securities	389	97	486	389	97	486	389	97	486	389	97	486
Other Investment	5,001	6,185	11,204	5,077	3,395	8,472	4,186	3,123	7,309	4,739	3,340	8,079
3.1 Liabilities of resident non-bank companies	339	85	424	427	107	533	534	133	667	909	227	1,137
3.1.1 Short-term loans	144	36	180	339	85	423	453	113	567	782	196	978
3.1.2 Long-term loans	195	49	244	88	22	110	80	20	101	127	32	159
3.2 Liabilities of resident banks	794	199	993	1,529	382	1,912	1,104	276	1,380	1,303	326	1,629
3.2.1 Short-term loans	670	168	838	1,165	291	1,456	738	185	923	950	238	1,188
3.2.2 Long-term loans	124	31	155	365	91	456	366	91	457	353	88	441
3.3 Liabilities of resident parastatal companies	1,214	303	1,517	1,192	298	1,489	982	245	1,227	883	221	1,104
3.3.1 Short-term loans and trade finance	92	23	115	88	22	110	90	23	113	120	30	150
3.3.2 Long-term loans	1,122	280	1,402	1,104	276	1,380	891	223	1,114	763	191	953
3.4 Liabilities of local government authorities	232	58	290	232	58	290	231	58	289	231	58	289
3.4.1 Short-term loans and trade finance	3	1	4	3	1	4	2	1	3	2	1	3
3.4.2 Long-term loans	229	57	286	229	57	286	229	57	286	229	57	286
3.5 Liabilities of central government	524	2,168	2,710	554	2,215	2,769	539	2,156	2,696	575	2,299	2,873
3.5.1 Long-term loans	542	2,168	2,710	554	2,215	2,769	539	2,156	2,696	575	2,299	2,873
3.6 Currency and deposits reported by Namibian banks	1,124	281	1,405	1,130	283	1,413	782	195	977	838	209	1,047
3.7 Liabilities of EPZ companies	773	3,091	3,864	13	53	66	15	59	74	0	0	0
3.7.1 Short-term loans and trade finance	0	0	0	0	0	0	15	59	74	0	0	0
3.7.2 Long-term loans	773	3,091	3,864	13	53	66	0	0	0	0	0	0
3.8 Other liabilities	0	0	0		0	0	0	0	0	0	0	0
3.8.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.8.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
Net Foreign Assets (+)/Liabilities(-)	13,813	3,453	17,267	15,302	3,826	19,128	21,565	5,391	26,956	17,938	4,485	22,423

	2008(p)											
	Q1			Q2			Q3			Q4		
	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total	South Africa	Other	Total
Foreign liabilities	27,222	9,163	36,385	27,169	9,214	36,383	27,928	9,610	37,538	31,120	10,609	41,730
Direct investment	21,557	5,389	26,947	21,452	5,363	26,815	22,818	5,704	28,522	25,844	6,461	32,306
1.1 Equity capital	17,008	4,252	21,260	15,959	3,990	19,949	16,250	4,063	20,313	18,062	4,515	22,577
1.2 Other capital	4,550	1,137	5,687	5,493	1,373	6,866	6,567	1,642	8,209	7,783	1,946	9,729
Long-term	3,739	935	4,673	4,526	1,131	5,657	5,414	1,353	6,767	6,650	1,662	8,312
Short-term	811	203	1,014	967	242	1,209	1,154	288	1,442	1,133	283	1,416
Portfolio investment	467	117	584	467	117	584	467	117	584	467	117	584
2.1 Equity securities	78	20	98	78	20	98	78	20	98	78	20	98
2.2 Debt securities	389	97	486	389	97	486	389	97	486	389	97	486
Other Investment	5,197	3,657	8,855	5,250	3,734	8,984	4,644	3,788	8,432	4,809	4,031	8,840
3.1 Liabilities of resident non-bank companies	933	233	1,166	748	187	936	526	131	657	475	119	594
3.1.1 Short-term loans	667	167	833	549	137	686	331	83	413	253	63	316
3.1.2 Long-term loans	266	67	333	199	50	249	195	49	244	223	56	279
3.2 Liabilities of resident banks	1,264	316	1,580	1,233	308	1,542	927	232	1,159	963	241	1,204
3.2.1 Short-term loans	911	228	1,139	880	220	1,100	573	143	716	505	126	631
3.2.2 Long-term loans	353	88	441	353	88	441	354	89	443	459	115	573
3.3 Liabilities of resident parastatal companies	1,341	335	1,676	1,302	325	1,627	1,176	294	1,470	1,310	327	1,637
3.3.1 Short-term loans and trade finance	127	32	159	304	76	380	178	45	223	287	72	358
3.3.2 Long-term loans	1,214	303	1,517	998	249	1,247	998	249	1,247	1,023	256	1,279
3.4 Liabilities of local government authorities	231	58	289	231	58	289	231	58	289	231	58	289
3.4.1 Short-term loans and trade finance	2	1	3	2	1	3	2	1	3	2	1	3
3.4.2 Long-term loans	229	57	286	229	57	286	229	57	286	229	57	286
3.5 Liabilities of central government	629	2,514	3,143	640	2,561	3,202	682	2,728	3,410	733	2,932	3,665
3.5.1 Long-term loans	629	2,514	3,143	640	2,561	3,202	682	2,728	3,410	733	2,932	3,665
3.6 Currency and deposits reported by Namibian banks	800	200	1,000	1,089	272	1,361	1,089	272	1,361	1,089	272	1,361
3.7 Liabilities of EPZ companies	0	1	1	5	22	27	12	73	86	7	82	89
3.7.1 Short-term loans and trade finance	0	0	0	5	21	27	12	49	62	7	26	33
3.7.2 Long-term loans	0	0	1	0	0	1	6	24	30	14	56	69
3.8 Other liabilities	0	0	0	0	0	0	0	0	0	0	0	0
3.8.1 Short-term loans and trade finance	0	0	0	0	0	0	0	0	0	0	0	0
3.8.2 Long-term loans	0	0	0	0	0	0	0	0	0	0	0	0
Net Foreign Assets (+)/Liabilities(-)	22,813	5,703	28,517	23,445	5,861	29,306	24,650	6,163	30,813	23,352	5,838	29,190

* Not else where specified e.g. re-insurance, bonds etc.

E

Table IV.J 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
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
2005	Jan	0.1675	0.0892	0.1276	17.3010	0.1974	0.1276	0.1276
	Feb	0.1662	0.0881	0.1277	17.4216	0.1978	0.1277	0.1277
	Mar	0.1664	0.0872	0.1259	17.4825	0.1949	0.1259	0.1259
	Apr	0.1625	0.0858	0.1255	17.4520	0.1943	0.1255	0.1255
	May	0.1579	0.0851	0.1244	16.8350	0.1922	0.1244	0.1244
	Jun	0.1481	0.0814	0.1217	16.1031	0.1873	0.1217	0.1217
	Jul	0.1492	0.0852	0.1238	16.6945	0.1930	0.1238	0.1238
	Aug	0.1547	0.0862	0.1258	17.0940	0.1954	0.1258	0.1258
	Sep	0.1573	0.0870	0.1283	17.4520	0.1988	0.1283	0.1283
	Oct	0.1521	0.0862	0.1265	17.4520	0.1959	0.1265	0.1265
	Nov	0.1502	0.0865	0.1273	17.7936	0.1968	0.1273	0.1273
	Dec	0.1573	0.0900	0.1326	18.6567	0.2052	0.1326	0.1326
2006	Jan	0.1642	0.0930	0.1355	18.9394	0.2099	0.1355	0.1355
	Feb	0.1635	0.0935	0.1368	19.2678	0.2132	0.1368	0.1368
	Mar	0.1599	0.0917	0.1330	18.7617	0.2086	0.1330	0.1330
	Apr	0.1647	0.0933	0.1343	19.3050	0.2115	0.1343	0.1343
	May	0.1582	0.0847	0.1239	17.6678	0.1929	0.1239	0.1239
	Jun	0.1438	0.0779	0.1134	16.4745	0.1770	0.1134	0.1134
	Jul	0.1412	0.0765	0.1112	16.3132	0.1745	0.1112	0.1112
	Aug	0.1438	0.0760	0.1122	16.6667	0.1770	0.1122	0.1122
	Sep	0.1350	0.0716	0.1060	15.7978	0.1679	0.1060	0.1060
	Oct	0.1262	0.0672	0.0998	14.9289	0.1588	0.0998	0.0998
	Nov	0.1174	0.0628	0.0936	14.0600	0.1497	0.0936	0.0936
	Dec	0.1086	0.0584	0.0874	13.1911	0.1406	0.0874	0.0874
2007	Jan	0.1392	0.0710	0.1070	16.7504	0.1729	0.1070	0.1070
	Feb	0.1395	0.0712	0.1067	16.8067	0.1730	0.1067	0.1067
	Mar	0.1360	0.0699	0.1028	15.9490	0.1657	0.1028	0.1028
	Apr	0.1404	0.0706	0.1039	16.6667	0.1702	0.1039	0.1039
	May	0.1425	0.0718	0.1054	17.2117	0.1740	0.1054	0.1054
	Jun	0.1394	0.0702	0.1040	17.0940	0.1720	0.1040	0.1040
	Jul	0.1434	0.0705	0.1045	17.4216	0.1732	0.1045	0.1045
	Aug	0.1382	0.0688	0.1016	16.1290	0.1663	0.1016	0.1016
	Sep	0.1403	0.0696	0.1011	16.1290	0.1665	0.1011	0.1011
	Oct	0.1476	0.0723	0.1038	17.0940	0.1734	0.1038	0.1038
	Nov	0.1492	0.0720	0.1017	16.5837	0.1677	0.1017	0.1017
	Dec	0.1465	0.0725	0.1005	16.4204	0.1668	0.1005	0.1005
2008	Jan	0.1431	0.0727	0.0974	15.4560	0.1579	0.0974	0.0974
	Feb	0.1309	0.0666	0.0888	14.0252	0.1428	0.0888	0.0888
	Mar	0.1253	0.0626	0.0808	12.6422	0.1270	0.0808	0.0808
	Apr	0.1283	0.0648	0.0814	13.1406	0.1298	0.0814	0.0814
	May	0.1312	0.0668	0.0843	13.6612	0.1369	0.0843	0.0843
	Jun	0.1263	0.0643	0.0811	13.4771	0.1310	0.0811	0.0811
	Jul	0.1309	0.0658	0.0830	13.9665	0.1344	0.0830	0.0830
	Aug	0.1306	0.0691	0.0871	14.2653	0.1413	0.0871	0.0871
	Sep	0.1243	0.0692	0.0866	13.2626	0.1380	0.0866	0.0866
	Oct	0.1034	0.0610	0.0775	10.3734	0.1180	0.0775	0.0775
	Nov	0.0988	0.0645	0.0776	9.5785	0.1176	0.0776	0.0776
	Dec	0.1005	0.0675	0.0748	9.1659	0.1150	0.0748	0.0748

Table IV.K Effective exchange rate 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
1991		106.5	234.1	152.4	41.0	108.6	63.9
1992		106.1	228.1	150.3	42.5	115.8	67.0
1993		105.6	227.2	149.6	41.9	119.9	67.6
1994		104.9	213.0	144.8	42.5	118.9	67.9
1995		104.4	204.4	141.7	43.0	120.0	68.6
1996		103.6	187.2	135.6	43.1	113.9	67.0
1997		103.4	178.4	132.6	100.7	157.3	123.3
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		99.1	91.1	95.3	102.3	96.9	99.7
2002		97.8	78.2	88.3	103.3	89.2	96.6
2003	Jan	98.5	83.7	91.4	105.5	99.3	102.6
	Feb	98.5	86.0	92.6	105.1	101.5	103.5
	Mar	98.9	88.4	94.0	104.6	103.9	104.3
	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	133.7	109.0	99.5
	Aug	99.3	92.7	96.9	133.1	111.2	100.3
	Sep	99.3	93.0	97.0	133.4	111.4	100.4
	Oct	99.4	93.2	97.1	132.8	111.3	100.3
	Nov	99.6	94.9	97.9	134.5	113.9	101.4
	Dec	99.7	94.8	97.9	132.2	112.9	101.0
2004	Jan	99.2	89.2	95.3	132.3	107.0	98.0
	Feb	99.2	88.9	95.1	132.4	106.7	97.7
	Mar	99.5	91.7	96.5	133.3	110.4	99.1
	Apr	99.6	93.2	97.1	132.7	111.9	99.6
	May	99.5	91.8	96.5	132.4	110.1	99.0
	Jun	99.7	93.7	97.4	132.4	112.3	99.8
	Jul	99.9	96.2	98.6	136.6	117.3	101.9
	Aug	99.8	94.6	97.9	137.6	115.8	101.6
	Sep	99.6	93.5	97.3	137.5	114.4	100.9
	Oct	99.7	94.3	97.7	138.1	115.7	101.4
	Nov	99.9	95.8	98.5	139.8	117.9	102.2
	Dec	100.0	95.3	98.2	140.5	117.6	102.5
2005	Jan	99.9	95.9	98.5	106.2	102.4	93.2
	Feb	99.9	95.4	98.3	106.1	101.9	93.0
	Mar	99.8	94.9	98.0	103.6	100.1	91.8
	Apr	99.8	94.1	97.7	103.7	99.2	91.4
	May	99.7	93.5	97.3	102.4	97.9	90.7
	Jun	99.4	91.1	96.1	102.6	95.7	89.8
	Jul	99.6	93.4	97.2	103.1	98.5	90.8
	Aug	99.7	94.2	97.7	104.1	99.8	91.4
	Sep	99.8	94.9	98.0	106.3	101.5	92.8
	Oct	99.7	94.4	97.7	105.0	100.4	91.7
	Nov	99.7	94.7	97.9	105.9	101.1	92.0
	Dec	99.9	97.2	99.0	107.0	104.2	94.0
2006	Jan	100.1	99.0	99.9	107.5	106.6	94.0
	Feb	100.2	99.4	100.1	107.5	107.1	94.2
	Mar	100.0	98.1	99.5	107.6	105.7	93.6
	Apr	100.1	99.1	100.0	107.3	106.6	94.0
	May	99.7	93.5	97.4	106.5	100.2	91.3
	Jun	99.1	88.2	94.8	105.9	94.5	88.8
	Jul	99.1	87.7	94.6	106.0	94.3	88.4
	Aug	99.1	87.6	94.5	107.6	94.8	88.7
	Sep	98.8	84.4	92.9	108.5	91.8	87.4
	Oct	98.6	83.0	92.2	109.2	90.6	86.9
	Nov	99.4	85.1	93.5	111.2	93.2	88.5
	Dec	98.9	85.2	93.4	110.0	93.0	88.4
2007	Jan	99.0	87.2	94.4	111.4	96.2	89.3
	Feb	98.8	84.8	93.1	111.4	93.5	88.3
	Mar	98.6	83.1	92.3	111.2	91.7	87.3
	Apr	98.8	84.8	93.2	111.4	93.7	87.9
	May	98.9	85.2	93.4	111.8	94.2	88.0
	Jun	98.8	84.3	93.0	111.6	93.3	87.5
	Jul	98.9	84.2	92.9	112.3	93.9	87.3
	Aug	98.7	82.6	92.1	113.1	92.5	86.7
	Sep	98.7	83.0	92.3	113.5	93.2	86.8
	Oct	98.9	60.4	93.4	113.6	67.7	87.6
	Nov	98.9	60.1	93.2	114.3	67.6	87.6
	Dec	98.8	60.1	93.2	113.5	67.5	87.4
2008	Jan	98.7	59.8	93.0	122.4	68.2	87.4
	Feb	98.2	56.5	90.6	121.3	64.3	85.1
	Mar	97.7	54.0	88.8	117.8	60.7	82.4
	Apr	97.9	55.1	89.7	123.2	63.2	84.0
	May	98.1	56.2	90.5	123.4	64.4	84.6
	Jun	97.9	54.9	89.5	123.6	63.1	83.6
	Jul	98.0	53.3	90.2	126.2	62.2	84.2
	Aug	98.2	57.2	91.4	127.1	66.7	85.2
	Sep	98.1	56.7	91.1	127.7	66.1	85.1
	Oct	97.2	51.4	87.5	127.8	60.3	81.9
	Nov	97.2	53.7	88.3	129.3	63.3	82.8
	Dec	97.1	54.5	89.0	129.3	64.4	83.8

BANK OF NAMIBIA PUBLICATIONS

Regular Publications

Title	Frequency
Financial Stability Review	Bi-annually
Quarterly Bulletin	Quarterly
Annual Report	Annually

Occasional Papers (OP) of the Bank of Namibia

Title	Authors	No and Year
Modeling Inflation in Namibia	Mihe Gaomab II	OP/1998
Estimating the Demand for Money in Namibia	Silvanus Ikhide and Kava Katjomuise	OP 01/1999
Savings and Investment in Namibia	Ipumbu Shiimi and Gerson Kadhikwa	OP 02/1999
Efficiency of Commercial Banks in Namibia	Silvanus Ikhide	OP 01/2000
Potential for Diversifying Namibia's Non- Mineral Exports	Bernie Zaaruka and Heinrich Namakalu	OP 01/2002
The Structure and Nature of Savings in Namibia	Ebson Uanguta, Emma Haiyambo, Gerson Kadhikwa and Chimana Simana	OP 01/2004
Viability of Commercial Bank branches in rural communities in Namibia	Esau Kaakunga, Bernie Zaaruka, Erna Mot-inga and John Steytler	OP 02/2004
Namibia Macro-econometric Model	Tjiveze Tjipe, Hannah Nielsen and Ebson Uanguta	OP 01/2005
Private Equity: Lessons for Namibia	Bernie Zaaruka, Ebson Uanguta and Gerson Kadhikwa	OP 02/2005
Property Rights and Access to Credit	Esau Kaakunga and Vitalis Ndalikokule	OP 01/2006
How can Namibia Benefits further from AGOA	Vitalis Ndalikokule, Esau Kaakunga and Ben Biwa	OP 02/2006
Assessing the potential of the Manufacturing sec-tor in Namibia	Gerson Kadhikwa and Vitalis Ndalikokule	OP 01/2007
Unleashing the Potential of the Agricultural Sec-tor in Namibia	Postrick Mushendami, Ben Biwa and Mihe Gaomab II	OP 01-2008
The Viability of Export Credit Guarantee and Insurance Scheme	Bernie Zaaruka, Ebson Uanguta and Pos-trick Mushendami	OP 02-2008
Enhancing the role of factoring and leasing com-panies in providing working capital to Small and Medium Enterprises (SMEs) in Namibia	Florette Nakusera, Gerson Kadhikwa and Postrick Mushendami	OP 03-2008
Investigating the role securitisation could play in deepening the financial sector in Namibia	Postrick Mushendami and Kennedy Kan-dume	OP 04-2008

Bank of Namibia Annual Symposium

Theme	Speakers	Year
Central banking issues and economic development	T.K. Alweendo – Governor, Bank of Namibia; J. Capria and P. Honoban – World Bank; C. C. Okeahalam – University of the Witwatersrand; B. Vollan – Bank of Namibia; W. G. Mason – IMF; C. C. Okeahalam and D. W. Adams – University of the Witwatersrand; D. J. J. Botha – University of the Witwatersrand and Pretoria	1999
The challenges of monetary policy within the context of the Common Monetary Area (CMA) arrangement	Dr. K. Jefferis – Deputy Governor, Bank of Botswana; Mr. Steven Xu – Hong Kong and Mr. Brian Kahn - SARB	2000
Optimal Financial Structure for Namibia	Dr. Norman Loayza - World Bank; Dr. Tekaligne Godana - Nepru and Dr. Jaafar bin Ahmad - Air Namibia	2001
Raising investment and growth in Namibia	Dr. Carolyn Jenkins, Oxford University, Dr. Patrick Asea, UNECA and Dr. Meschack Tjirongo, IMF	2002
Poverty, Income Inequality and Economic Development in Namibia	Dr. Anne Epaulard, IMF, Dr. S. Wangweesrf - Tanzania, Dr. O. A. Akinboade, Unisa-RSA; Dr. W. Werner - Namibia	2003
The challenges for the developments of Namibian Government bonds market: Lessons from other countries -	Phillip Shiimi - BoN; Mike Sandler - RSA; Tom Lawless - RSA and Nicholas Biekpe - RSA	2004
The benefits of Regional Integration for smaller economies -	Paul Kalenga – SADC Secretariat, F. Di Mauro - EU and Prof. SKB Asante	2005
Foreign Direct Investment versus Direct Investment in Namibia	Dr. S. Ikhide - Unam	2006
Broad-based Economic Empowerment: Lessons for Namibia	Dr. John Steytler - BoN, Dr. Just Faaland - Norway, Roger Southall-RSA	2007
Structural Transformation of the Namibian economy: Insight from other Countries	Prof. J.E. Odada-Unam, Mr. H.O. Jankee - Bank of Mauritius, Ms.P. Arora-World Bank, RSA, Prof. Ji Hong Kim-KDI School of Public Policy and Management, Mr. K. U. Katjomuise-UNECA	2008

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Statutory Publication: Theme Chapters Annual Report

Title	Contributors	Year
Socio-Economic Development: The Post Independence Decade	Policy Research	2001
Challenges of Economic Diversification	Policy Research	2002
Review of Namibia's Participation in Regional Integration Arrangements: Issues and Implications	Policy Research	2003
Unemployment and Employment Creation - Policy Options for Namibia	Policy Research	2004
Viability of second tier Banks	Extraction from Banking Supervision Study	2005
The Base Care Principles for effective Banking Supervision	Banking Supervision	2007

LIST OF ABBREVIATIONS

AIG	American Insurance Group
AML	Anti-money laundering
ATM	Automated teller machine
BCP	Business Continuity Planning
BoN	Bank of Namibia
BSA	Bank Supervision Application
CCBG	Committee of Central Bank Governors
CHF	Swiss Francs
CMA	Common Monetary Area
CPIX	Consumer Price Index excluding mortgage costs
DR	Disaster recovery
EC	Executive Committee
ECB	European Central Bank
EFT	Electronic funds transfer
ERP	Enterprise Resource Planning
EUR	Euro/European Union currency
FIA	Financial Intelligence Act, 2007 (No. 3 of 2007)
FIC	Financial Intelligence Centre
FNB	First National Bank
FOMC	Federal Open Market Committee
FSAP	Financial Sector Assessment Program
GBP	British Pound Sterling
GC08	Government internal registered stock matured in 2008
GC10	Government internal registered stock maturing in 2010
GC12	Government internal registered stock maturing in 2012
GC15	Government internal registered stock maturing in 2015
GC18	Government internal registered stock maturing in 2018
GC24	Government internal registered stock maturing in 2024
GDP	Gross domestic product
GDE	Gross domestic expenditure
GNDI	Gross national disposable income
GNI	Gross national income
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IIP	International investment position
IJG	Irwin, Jacobs, Greene (Securities)
IMF	International Monetary Fund
IRS	Internal registered stock
IRSR	Internal Registered Stock Redemption
IT	Information technology
JPY	Japanese Yen
JSE	Johannesburg Stock Exchange
LHS	Left hand side (of graph)
M2	Broad Money Supply
MBSs	Morgage-backed Securities
MC	Management Committee
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MFS	Monetary and Financial Statistics
MMU	Money Market Unit
MOU	Memorandum of Understanding
N/A	Not Applicable
NAD/N$	Namibia Dollar
NAMFISA	Namibia Financial Institutions Supervisory Authority
NCPI	National Consumer Price Index
NEER	Nominal effective exchange rate
NHIES	National Household Income and Expenditure Survey

NISS	Namibian Interbank Settlement System
NPS	National Payment System
NSX	Namibian Stock Exchange
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
OFCs	Other Financial Corporations Survey
OP	Occasional Papers
PAN	Payment Association of Namibia
POCA	Prevention of Organised Crime Act, 2004 (No. 29 of 2004)
POS	Point-of-sale
REER	Real Effective Exchange Rate
Repo	Repurchase (agreement)
RHS	Right hand side (of graph)
RISDP	Regional Indicative Strategic Development Plan
RMB	Chinese Yuan
RSA	Republic of South Africa
RTGS	Real-time Gross Settlement
SAA	Strategic Asset Allocation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDR	Special Drawings Rights
SNB	Swiss National Bank
SRFs	Standard Reporting Forms
STR	Suspicious Transaction Reports
T-bills	Treasury bills
TSLF	Term securities lending facility
UK	United Kingdom
UNODC	United Nations Office on Drugs and Crime
UPS	Uninterrupted Power Supply
US	United States
USA	United States of America
USD/US$	United States Dollar
VAT	Value added tax
WTO	World Trade Organisation
ZAR/Rand/R	South African Rand

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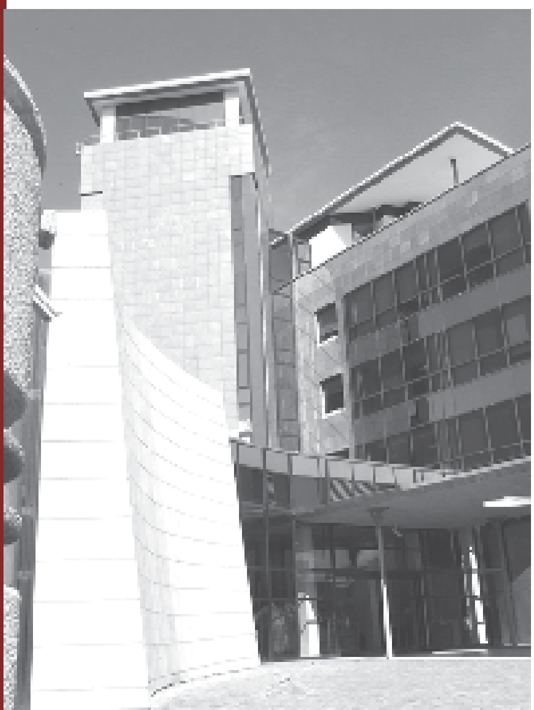

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