



Stakeholder Engagement: Oshakati

Presentation

25 November 2022

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BON established by
Article 128 of the
Constitution;

Complimented by
Bank of Namibia
Act No. 1 of, 2020.

Wholly owned by the
Government of the
Republic of Namibia



MANDATE OF THE BANK

Promote price stability

Fiscal advisor and banker to Government

Manage foreign reserves and currency

Ensure sound financial system

Conduct economic research

Macroprudential oversight (economic & financial market development in Namibia); Bank of Namibia Act No. 1 of 2020, Section 73

Host Financial Intelligence Centre & Namibia Deposit Guarantee Authority



Board members appointed by the President;

Governor (Chair) and Deputy Governors part of the board;

Executive Director of Ministry of Finance – Ex Officio;

Annual Report to MoF by end of March each year;

Annual Report to the National Assembly (section 68, BoN Act)

Regular consultation with Minister, but independent.



Johannes !Gawaxab
Governor and Chairperson
and Executive Member of
the Board



Ebson Uanguta
Deputy Governor
Executive Member of the
Board



Leonie Dunn
Deputy Governor
Executive Member of the
Board



Tuyakula Haiping
Non-Executive Member of
the Board and Member of
the Remuneration
Committee



**Adv. Charmaine van der
Westhuizen**
Non-Executive Member of
the Board and Member of
the Audit Committee and
Member of the
Remuneration Committee



Mr Chris Baisako
Non-Executive Member of
the Board and Chairperson
of the IT Steering
Committee



Mr Ehrenfried I Meroro
Non-Executive Member of
the Board, Member of the
Audit Committee,
Remuneration and IT
Steering Committees



Ms Rika Pretorius
Non-Executive Board
Member and Chairperson
of the Audit Committee



Mr Titus Ndove
Non-Executive Ex-Officio
Board Member



MANAGEMENT



Johannes !Gawaxab



Ebson Uanguta



Leonie Dunn



Israel Zemburuka



Florette Nakusera



Bryan Eiseb



Nicolas Mukasa



Lloyd Londt



Marsorry Ickua



Romeo Nel



Barbara Dreyer



Sencia Kaizemi- Rukata



Emma Haiyambo



Lea Namoloh



Magreth Tjongarero



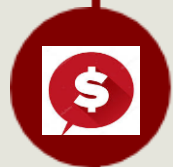
BoN continued to discharge its mandate despite COVID-19 pandemic.



BoN launched 2022 – 2024 Strategic Plan



BoN effectively presided over its mandate of monetary and financial stability.



BoN posted a healthy 2021 financial performance. .



BoN's response to COVID-19 has assisted in Namibia's economic restart and recovery.



- **COVID-19 Relief Measures:**

- SME Relief Loan Scheme
- BID-33
- Credit Guarantee Scheme
- Business Rescue Task Force



- **ECONOMIC Restart & Recovery**

- Harvard Growth Lab
- Bank of Namibia Southern Branch



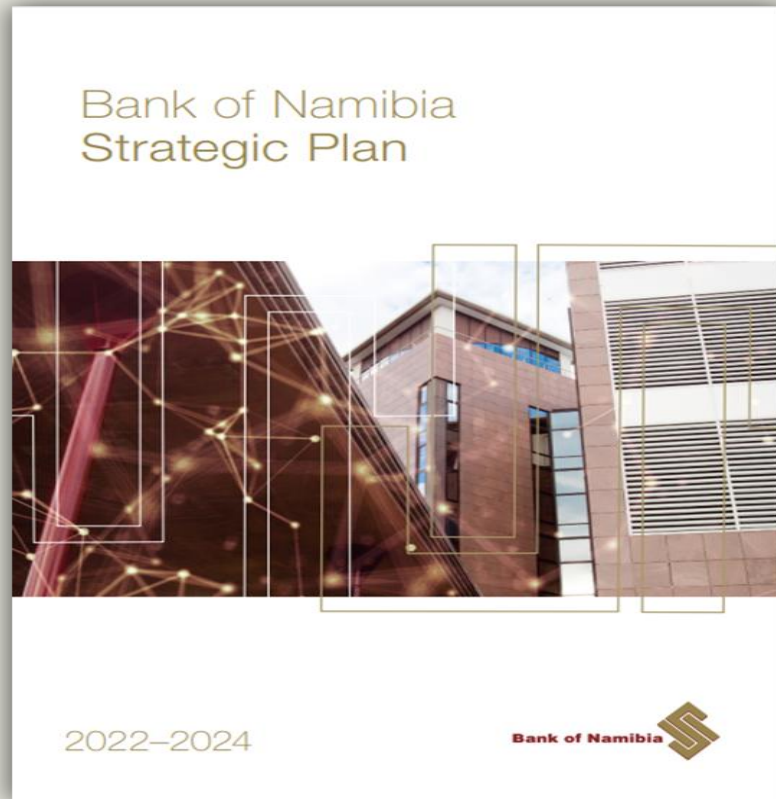
Welwitschia Fund®

Longevity. Resilience. Inclusivity.



The Board, in consultation with the Minister of Finance, decided to use a portion of the dividend payments to Government as seed capital for the newly created Sovereign Wealth Fund (the Welwitschia Fund).

2022 – 2024 Strategic Plan



Vision

To be a leading central bank committed to a prosperous Namibia

Mission

To support sustainable economic development through effective monetary policy and an inclusive and stable financial system for the benefit of all Namibians

Key Focus Areas

1. Transform the Bank (digital transformation)
2. Modernise the financial sector (inclusive)
3. Assist with economic recovery and economic development



State of the Global Economy

Global Economy – Key messages

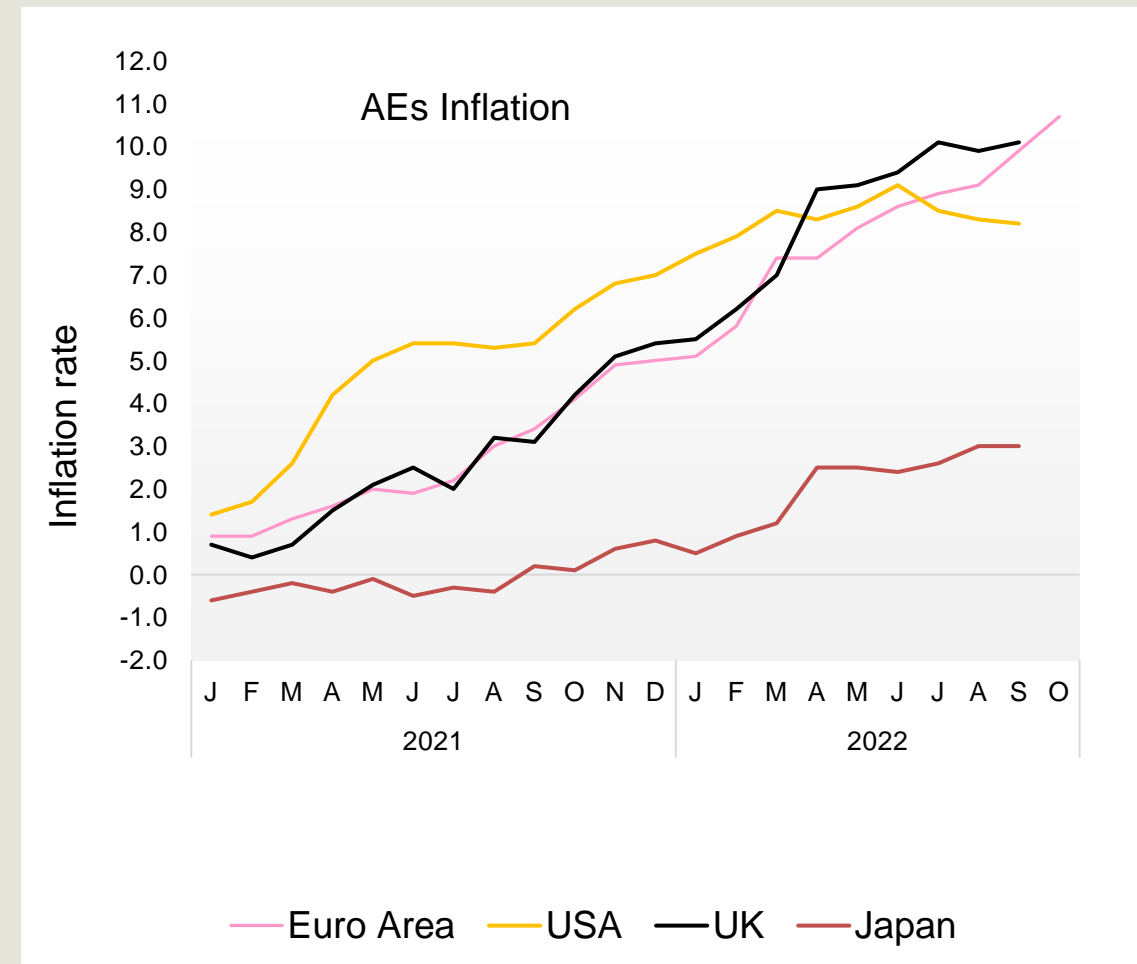
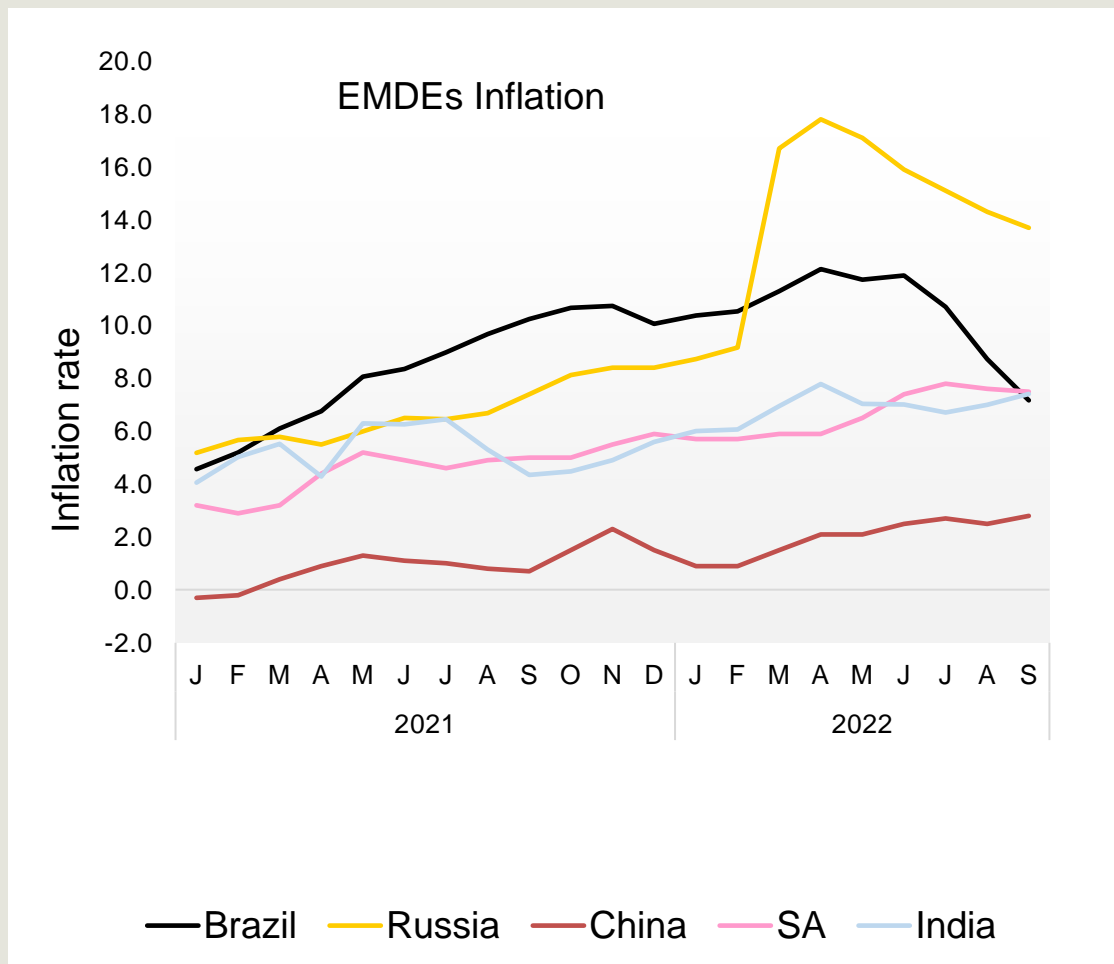
- The possibility of recession from 2023 onwards has increased, largely due to the current interest rate hiking cycle, the impact of the war in Ukraine, and COVID-19 in China.
- Inflation is likely to remain high in the medium term, driven by high commodity prices and supply chain frictions.
- Commodity prices increased significantly since the beginning of 2022 – initially in line with recovery in the global economy and then compounded by the war in Ukraine

Following a solid rebound in 2021 to 6.0 percent on the back of softening of pandemic related restrictions, growth in the global economy is expected to slowdown to 3.2 percent in 2022

	Real GDP Growth (%)		June-22 Projections (GDE)		October-22 Projections (WEO)	
	2020	2021	2022 (F)	2023(F)	2022(F)	2023(F)
World	-3.3	6.0	2.9	3.0	3.2	2.7
AEs	-4.6	5.2	2.6	2.2	2.4	1.1
US	-3.4	5.7	2.5	2.4	1.6	1.0
Euro Area	-6.4	5.2	2.5	1.9	3.1	0.5
Japan	-4.6	1.7	1.7	1.3	1.7	1.6
UK	-9.4	7.4	N/A	N/A	3.6	0.3
EMDEs	-1.6	6.6	3.4	4.2	3.7	3.7
China	2.2	8.1	4.3	5.2	3.2	4.4
Russia	-2.7	4.7	-8.9	-2.0	-3.4	-2.3
India	-6.6	8.7	7.5	7.1	6.8	6.1
Brazil	-3.9	4.6	1.5	0.8	2.8	1.0
SAA	-2.0	4.7	3.7	3.8	3.6	3.7
Angola	-5.2	0.8	3.1	3.3	2.9	3.4
SA	-6.4	4.9	2.1	1.5	2.1	1.1
Nigeria	-1.8	3.6	3.4	3.2	3.2	3.0

Source: IMF WEO
October-22 &
World Bank GDE
June-22

Surging prices around the globe have pushed inflation steadily higher during 2022





Domestic Growth

Domestic Economy – Key messages

- Domestic growth is expected to improve in 2022, but we have to live with high inflation and high interest rates as these are dictated from external factors
- Economic slowdown is anticipated for 2023, in line with lower global demand
- Inflation increased substantially during 2022, mainly driven by high international prices for crude oil and food items

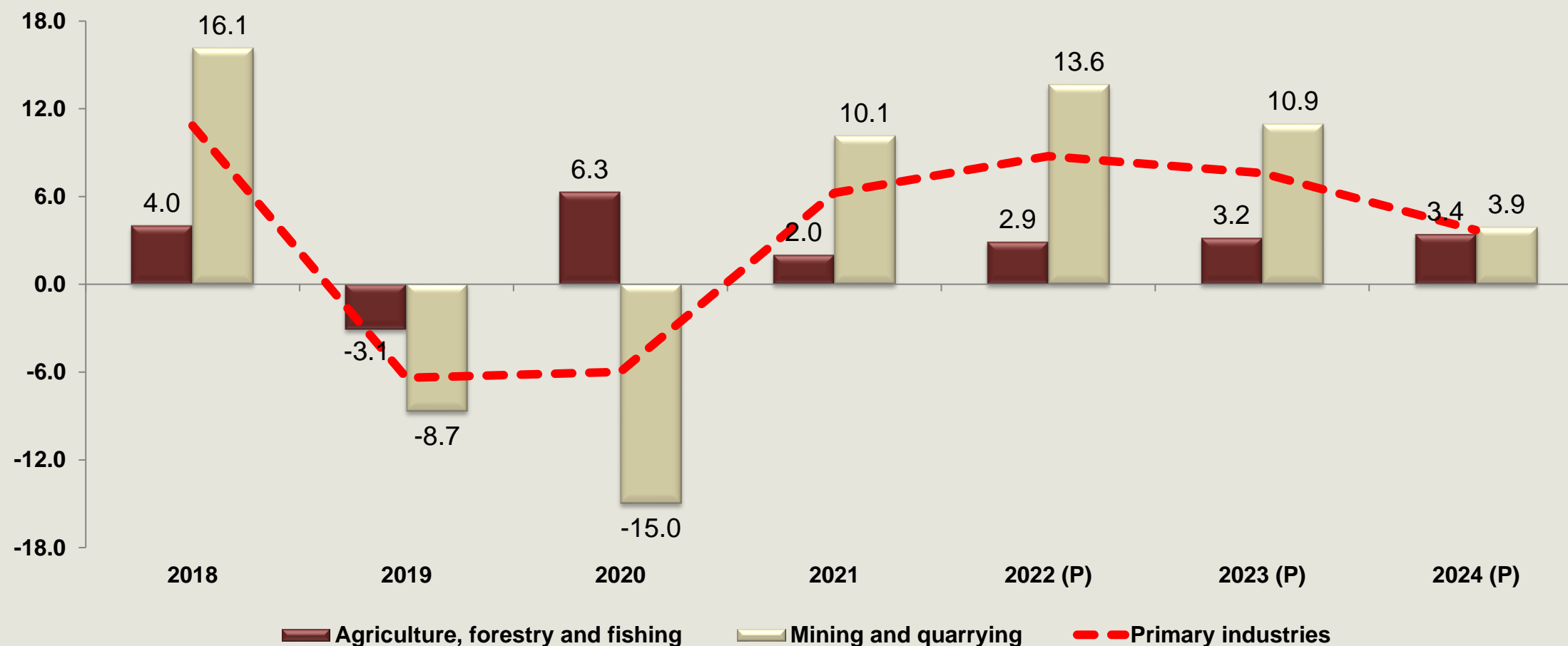
Forecasting Assumptions

- Growth in **Agriculture, forestry and fishing** is expected to improve slightly in 2022 but remain low in line with low crop harvests and broadly unchanged fishing quotas.
- The **diamond mining** sector is expected to register robust growth rates during the forecast period, especially during 2022 and 2023, boosted by a new mining vessel and improved global demand.
- The **uranium mining** sector is anticipated to contract during 2022 as it is faced with multiple challenges that include water supply interruptions, high costs for imported inputs, labour issues, as well as delays in shipping logistics for exports and for imports of materials and parts.

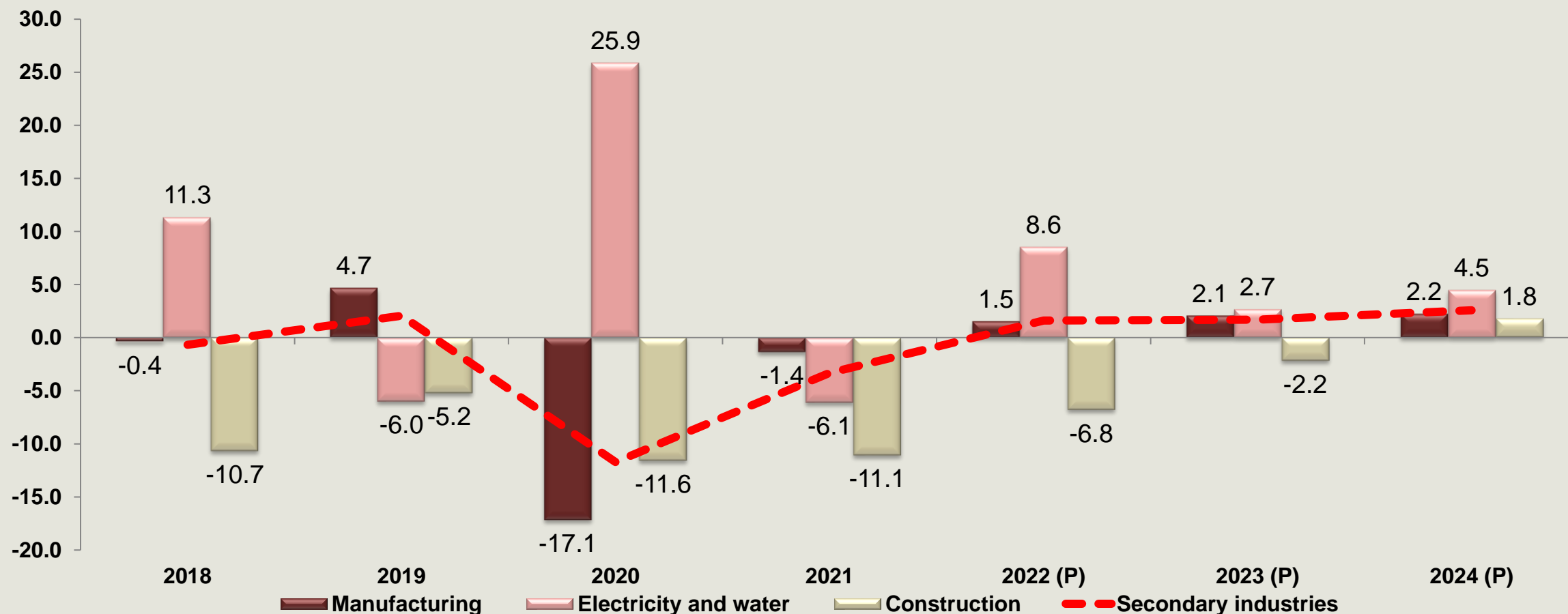
Forecasting Assumptions (Continued)

- Growth in **metal ores** is to be negatively affected by low production in gold and zinc subsectors during 2022, while improvements are expected from 2023 onwards.
- Overall, **GDP growth** is expected to improve in 2022, supported by robust growth in the diamond mining and stable growth rates for most of other industries. However, a slowdown is expected from 2023 onwards, as global demand is anticipated to weaken

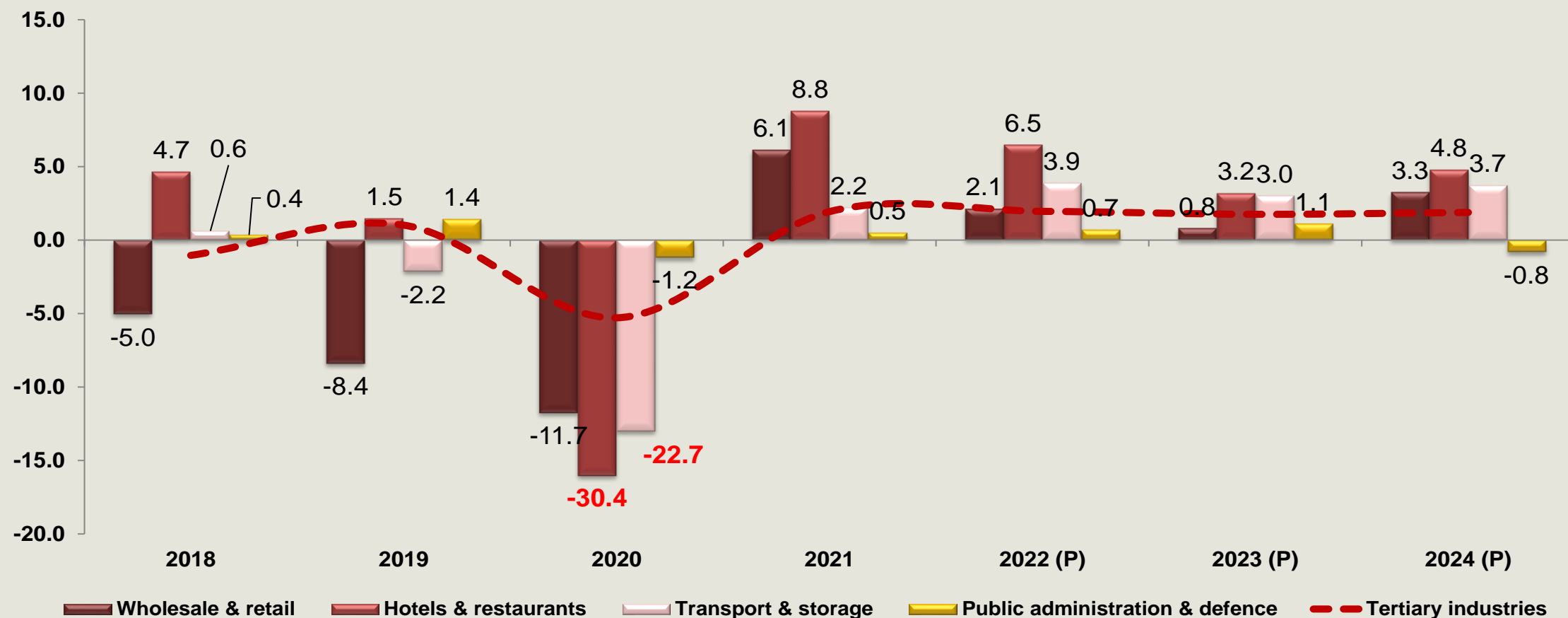
Primary industries to grow by 8.8 and 7.6 percent in 2022 and 2023, respectively, from 6.2 percent for 2021



Secondary industries to grow by 1.6 and 1.7 percent in 2022 and 2023, respectively, from a contraction of 3.3 percent for 2021



Tertiary industries to grow by 2.0 and 1.8 percent in 2022 and 2023, respectively, from 1.9 percent for 2021



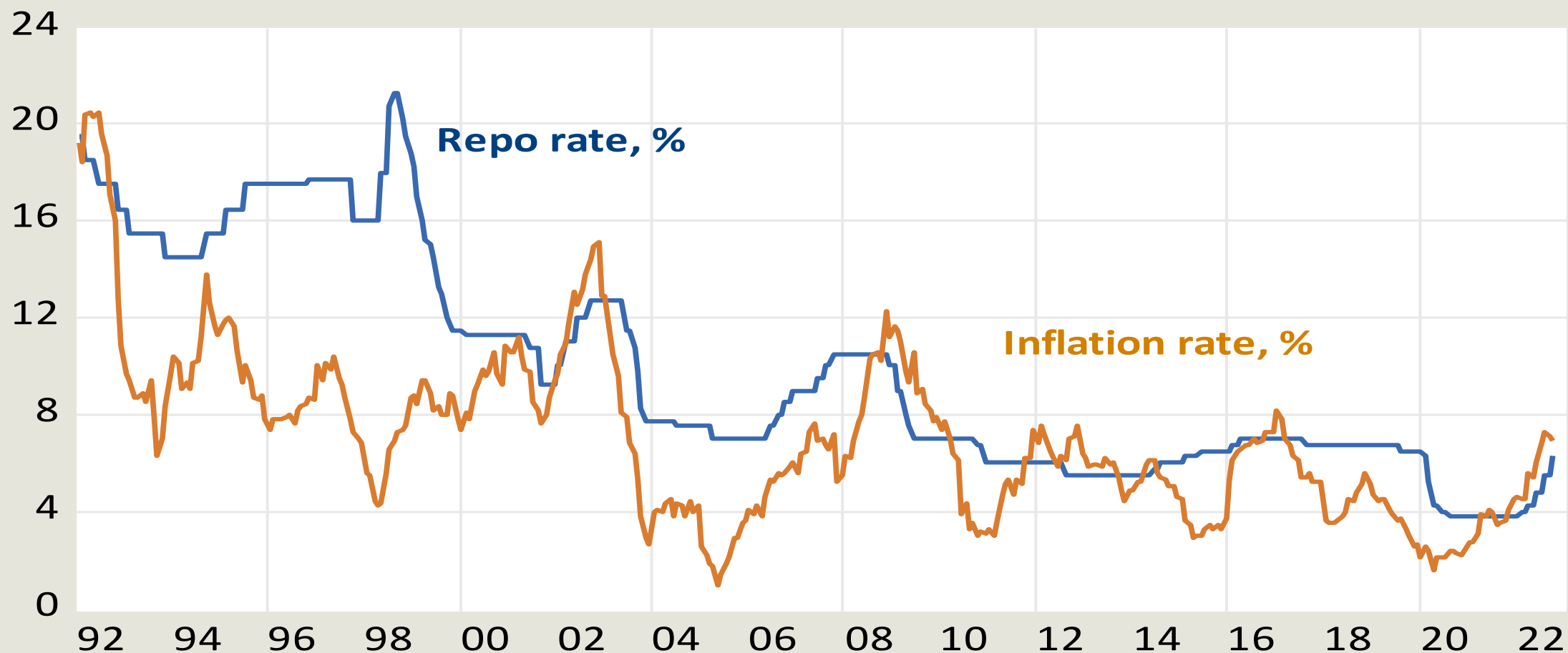
Overall GDP growth to improve to **3.2 percent** in 2022, mining being a key driver, but with a broad-based recovery across sectors



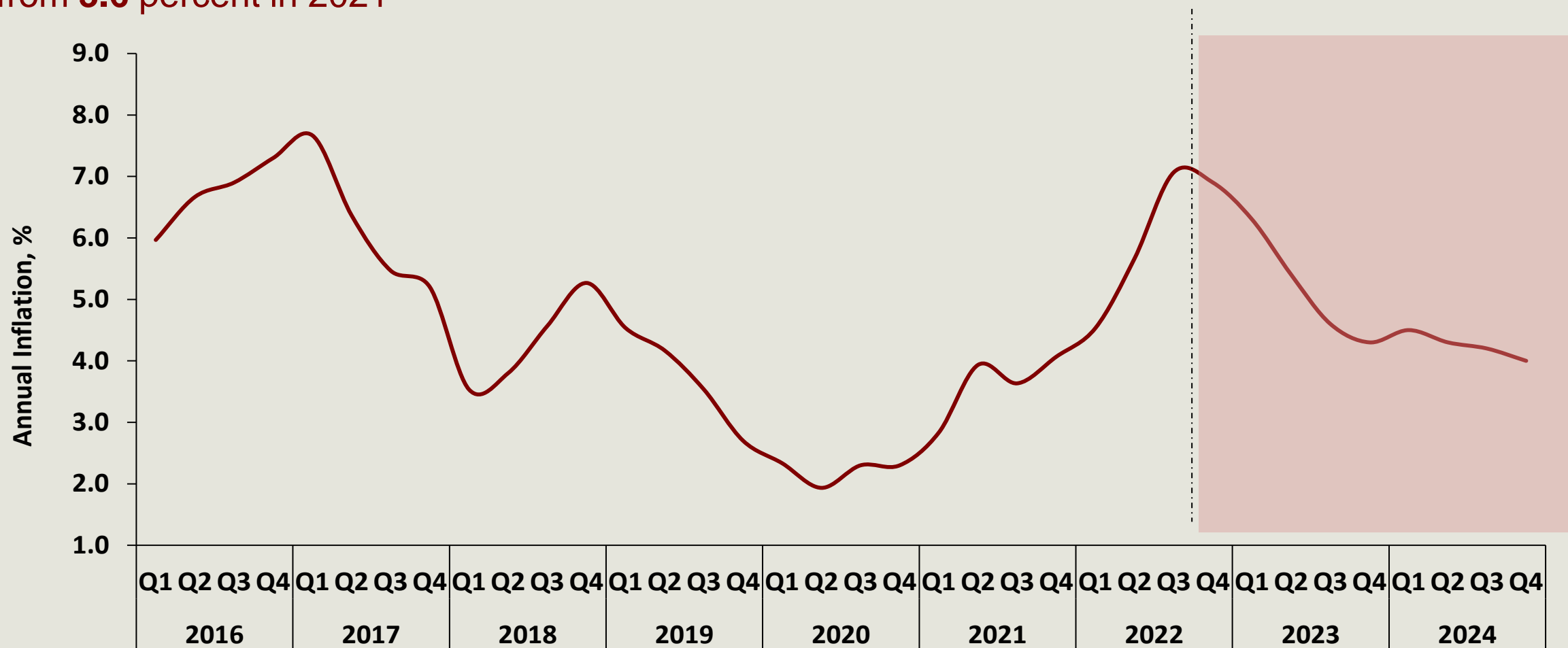


Conduct of Monetary Policy

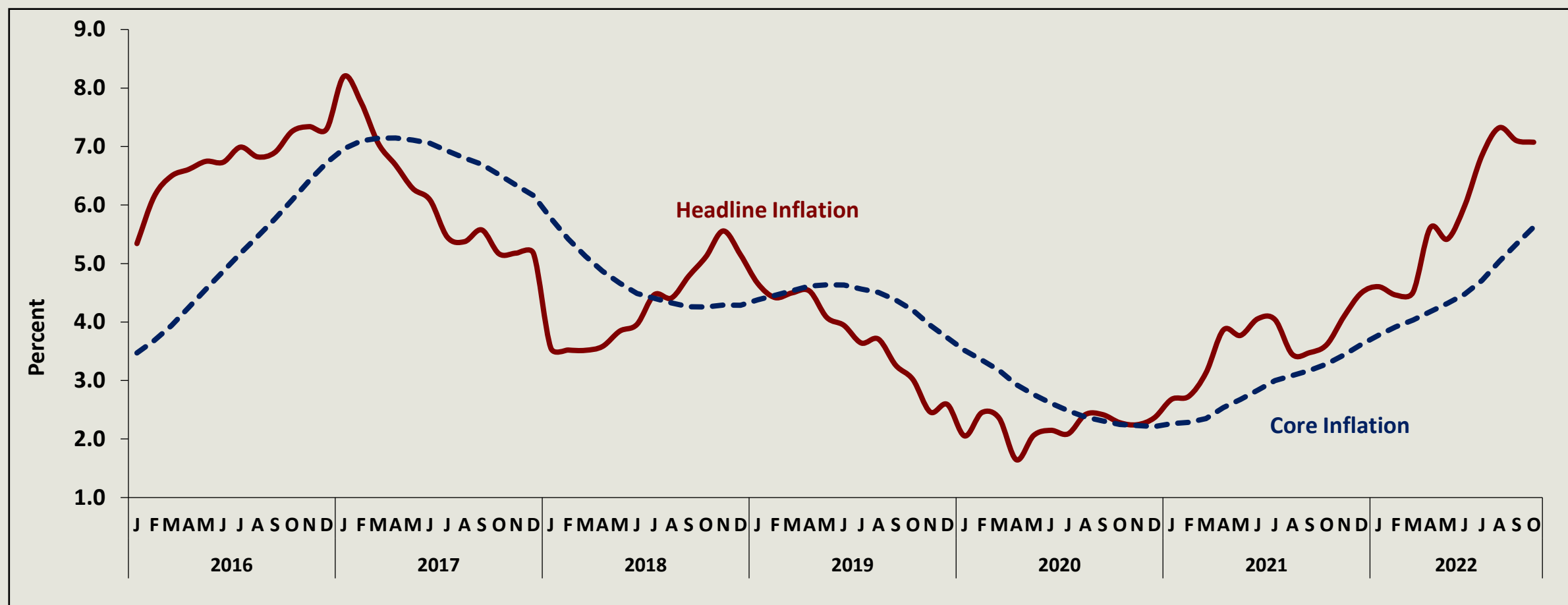
The Repo rate was increased by a cumulative 250 basis points in 2022 so far, as this was necessary to preserve monetary and price stability



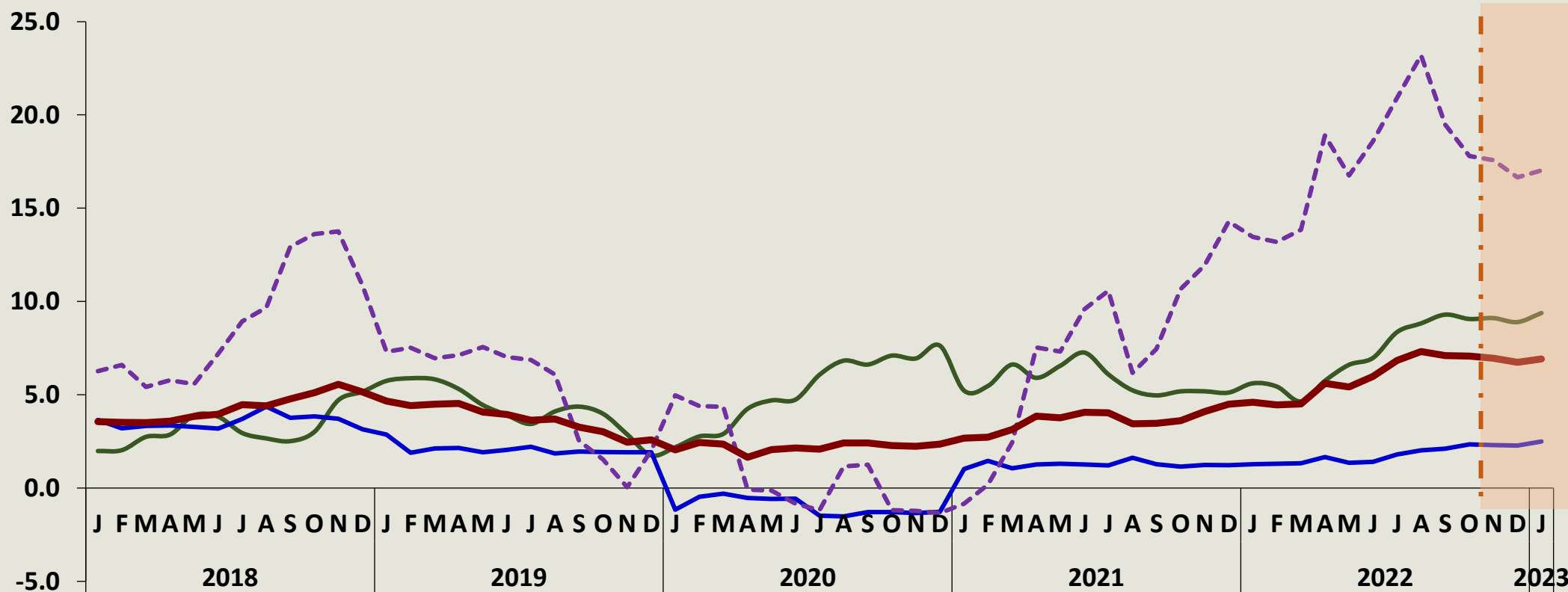
In the medium term, inflation is expected to average **6.1** percent in 2022 and **5.2%** in 2023, up from **3.6** percent in 2021



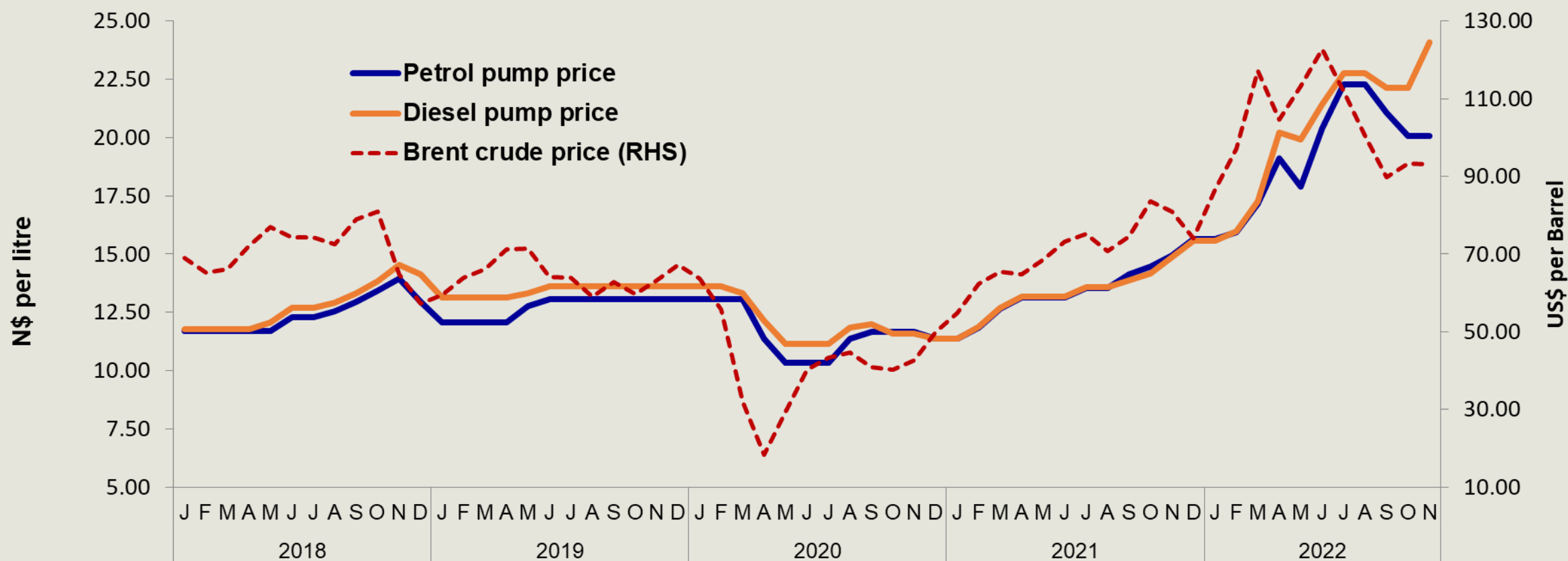
Core inflation continued to increase significantly, although still trending below Headline inflation



Annual Inflation, %



As a net importer of fuel, Namibia's inflation is highly dependent on external factors such as international prices for crude oil

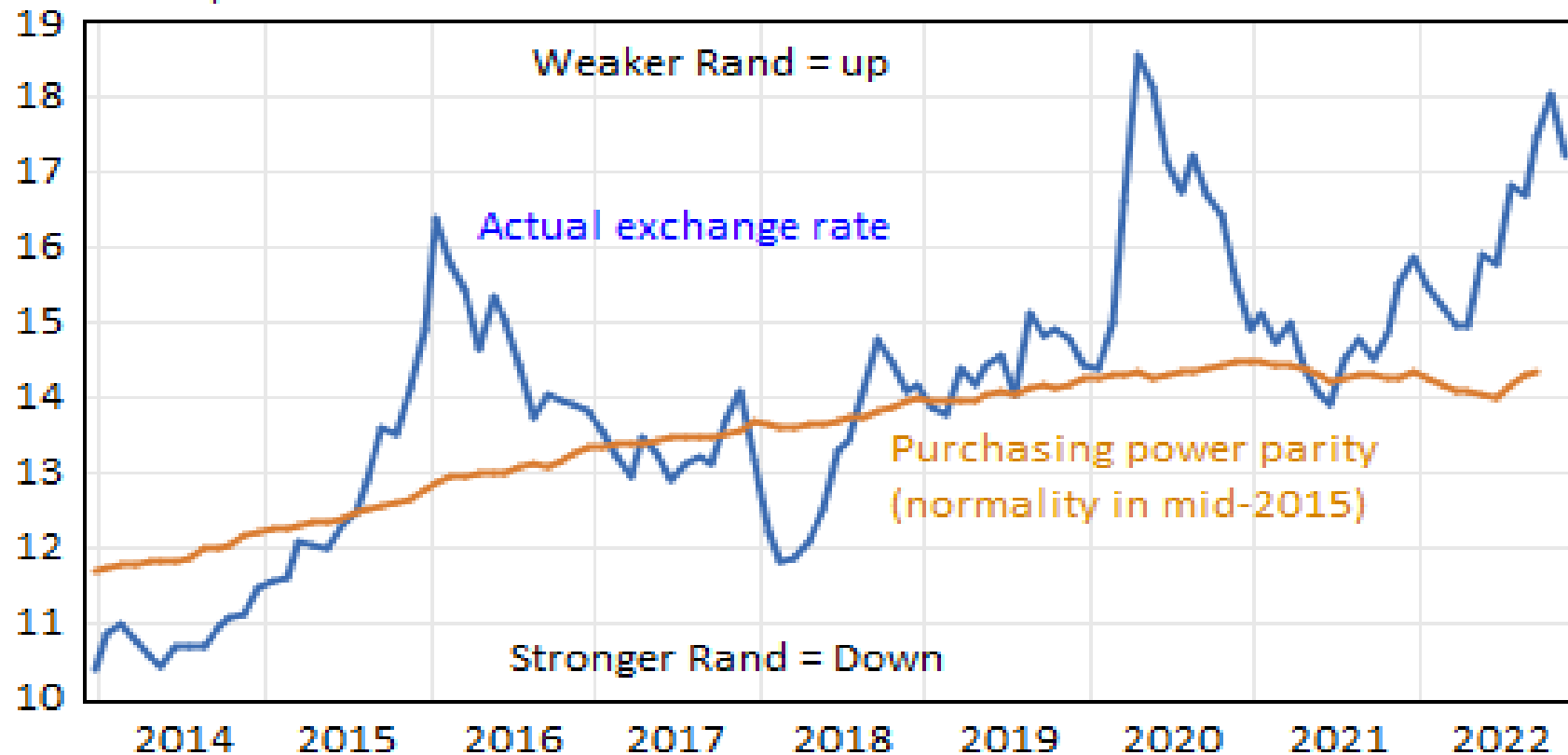


The rand seems to be undervalued at present.



Exchange rate of the Rand and purchasing power parity

Rand per US Dollar

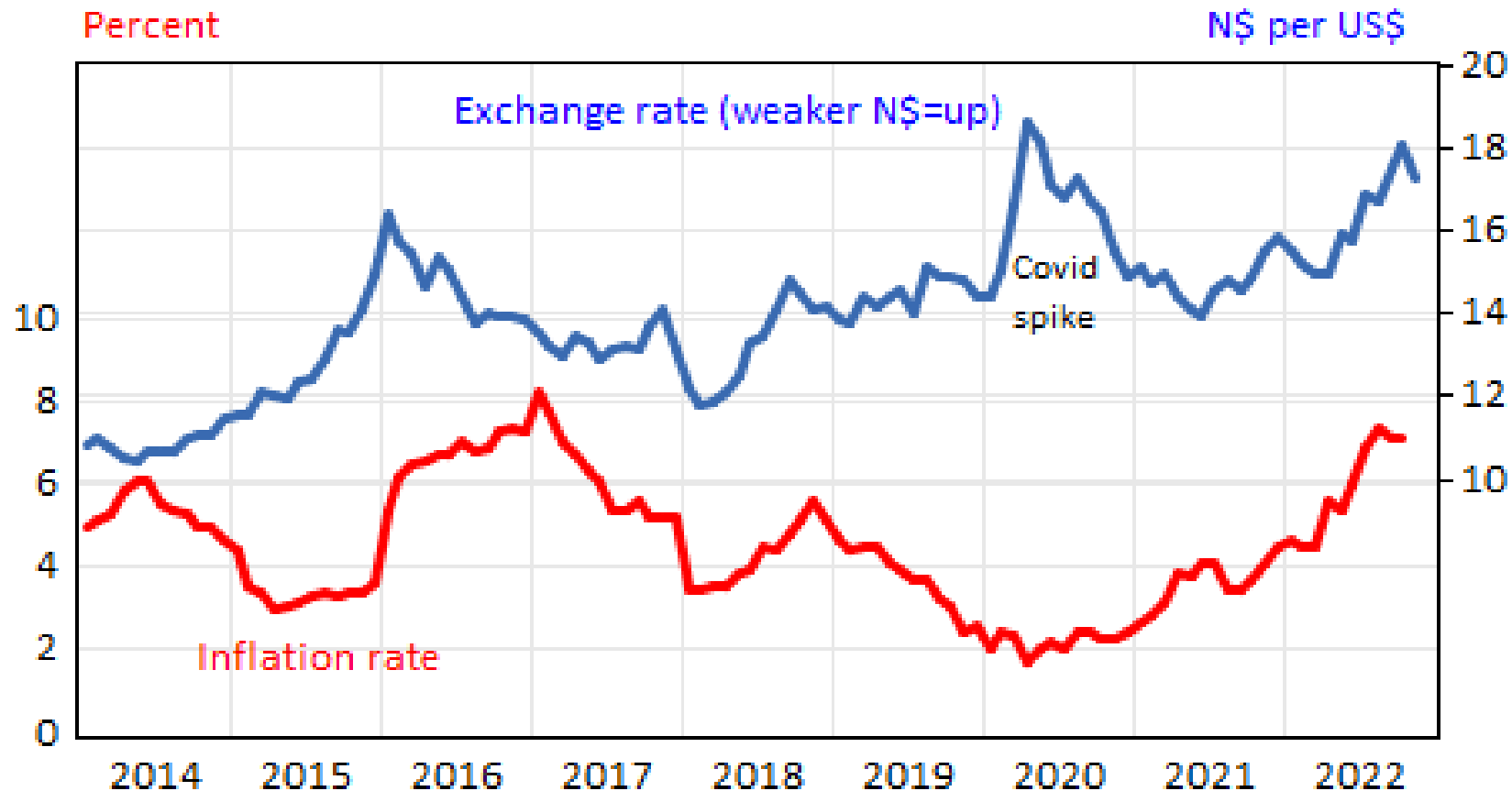


- The orange-brown line is fair value for the rand based on movements in US and SA CPI
- If the blue line is above the orange-brown line, the Rand is undervalued

A weaker Rand/N\$ pair usually drives up inflation



Exchange rate and inflation in Namibia

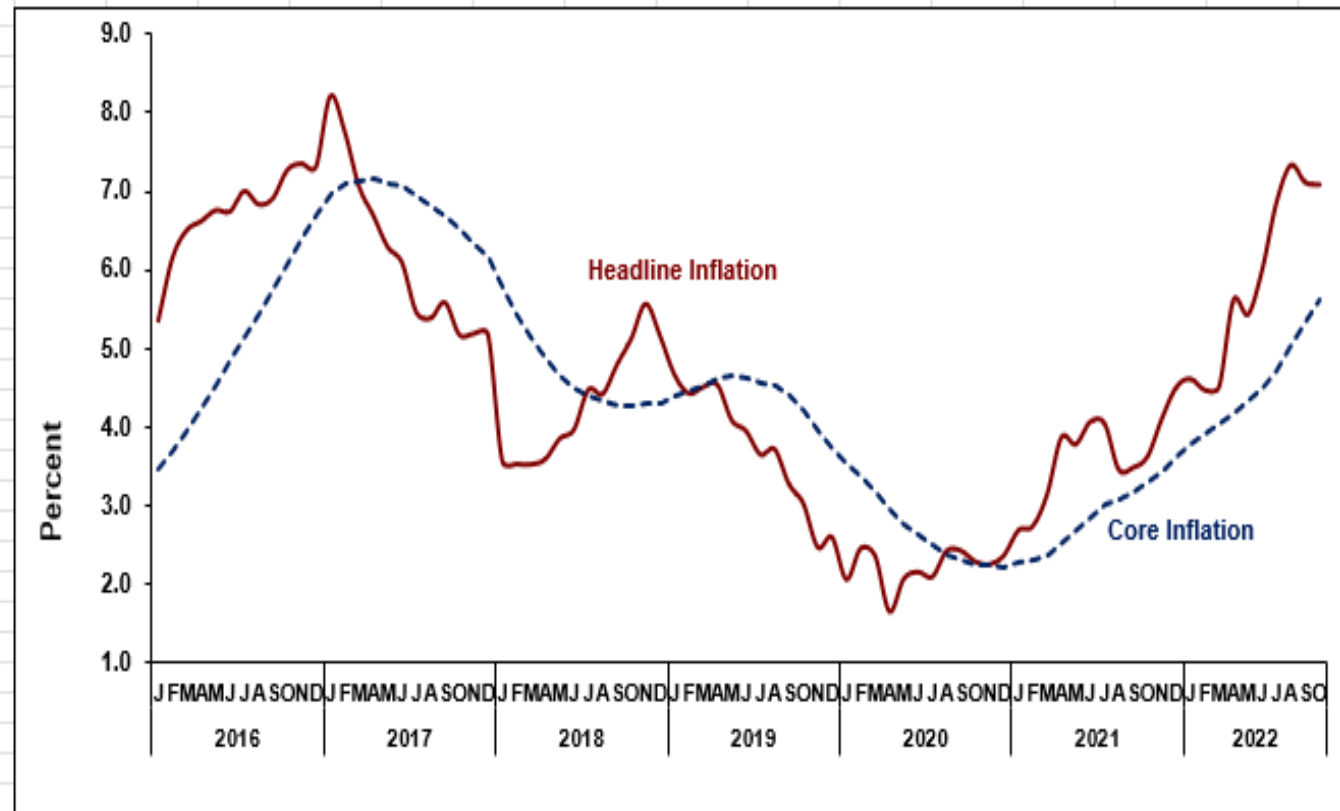


- The weakening N\$ in 2015/16, 2018 and 2022 drove up inflation, largely via import prices
- In 2020 trade was interrupted by Covid restrictions and through lower petroleum prices and sales from old inventories, inflation remained low despite the weaker exchange rate

Core inflation gives a useful indication of underlying inflation pressures in the economy

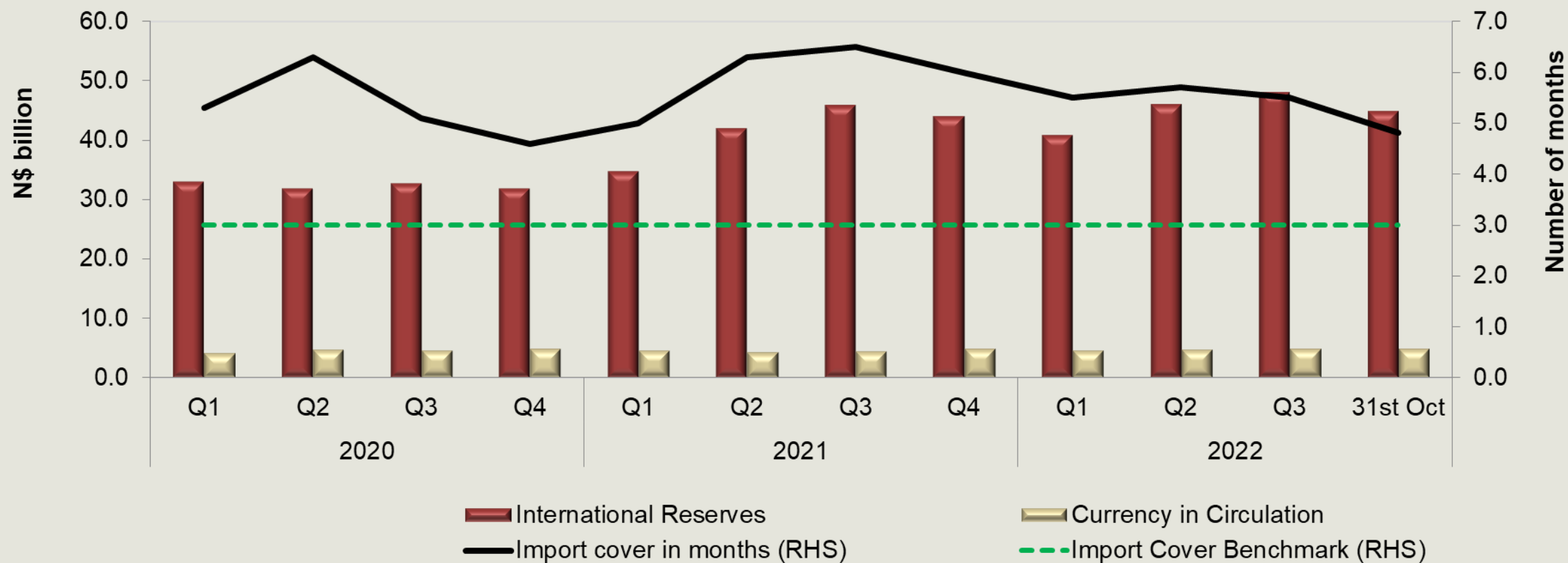


Headline and core inflation



- Core inflation strips out the volatile fuel and food components, giving a smoother picture of underlying inflation pressures and momentum in the economy
- Rising core inflation signals a greater risk that the inflation is becoming an inflation spiral spread more widely across the economy

As of the 31st of October 2022, the stock of foreign reserves stood at N\$ 44.8 billion (4.8 months of import cover).



- ❑ **Global economic growth is under pressure, and that has consequences for Namibia as a small open economy**
- ❑ **The domestic growth is projected to improve in 2022 but risks remain:**
 - ✓ rising inflation, tight global monetary conditions, limited fiscal space, uncertain global growth owing to supply chain disruption caused by Covid-19 and worsened by the protracted Russian-Ukrainian war.
- ❑ **The prevailing environment calls for careful formulation of relevant policies to withstand the multi-crisis situation, including:**

- ✓ Monetary policy continuing with efforts to effectively contain the rising inflation -
We cannot afford inflation to be a runaway train as it can be a dramatic tax, especially on the poor.
- ✓ Upholding the fiscal consolidation commitment to reduce fiscal deficit and stabilize Government debt.
- ✓ Some support is necessary to cushion citizens from the impact of the crises, but this needs to be well targeted because if not, then inflation and Government debt will escalate.

□ Efforts (policies & strategies) aimed at boosting production and generating more growth for the economy:

- ✓ Our current overdependence on the primary industry is not desirable. Concerted effort should continue to promote value addition
- ✓ The recent **oil discovery** and initiated **green hydrogen projects** are welcome developments, and the country should ensure they are well managed going forward
- ✓ Continuing to guard against the possible return of COVID-19 and practicing the learned lessons to minimize the spread of communicable diseases, and their impact



**THANK
YOU**