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FOR IMMEDIATE RELEASE

**BANK OF NAMIBIA TO CONTRIBUTE N\$9.7 MILLION TO THE STATE REVENUE FUND:
BANK OF NAMIBIA ANNUAL REPORT, 2013**

INTRODUCTION

1. **The Bank has prepared its Annual Report for 2013 In line with Section 52(1) of the Bank of Namibia Act of 1997.** *The Report, launched on 27 March 2014, includes the unqualified annual accounts of the Bank certified by independent auditors, a report of the Operations and Affairs of the Bank and a report on the state of the economy. The Report also includes a section on the activities of Banking Supervision, which largely focuses on the stability and soundness of Namibia's banking system.*

ANNUAL ACCOUNTS OF THE BANK

2. **The Bank's Annual Financial Statements presents the financial position of the Bank, its financial performance and cash flows for the year in all material respect.** Due to the global economic uncertainty coupled with the low interest rates environment that affected the Bank's revenue, the Bank will contribute about N\$9.7 million to the state revenue fund during the 2014/15 fiscal year, which is lower than the N\$25 million paid last year. The Annual Financial Statements meet the International Financial Reporting Standards and the requirements of the Bank of Namibia Act, 1997. This is confirmation that the Bank continues to adhere to the highest standards of good corporate governance.

OPERATIONS AND AFFAIRS OF THE BANK

3. **The Bank pursued its strategic objectives guided by the Bank's legal mandate and its five-year strategic plan.** The Report highlights the Bank's seven strategic objectives as well as the strategic outcomes on these strategies.

As customary, the Bank continues to fulfil its role as an advisor to the Government by providing policy advice on economic and fiscal issues. Among the activities undertaken during the year were the issuances of standards for free cash deposit fees for individuals and SMEs, the formulation of regulations for Credit Bureaus and the launch of the Code of Good Banking Practice and Guidelines for Lodging Complaints to the Bank of Namibia. The Bank also carried out a study; "Assessing the Performance of the Mineral Sector: Tax Regime and Mineral Beneficiation," which reviewed the role of the mineral sector within the economy; the current mineral tax regime; the state of local beneficiation, as well as lessons from the international economy on ways to maximize the sector's contribution to the domestic economy. The Bank further issued improved N\$10 and N\$20 banknotes to address the problem of fast aging identified in the similar denominations put in circulation in 2012. At the regional front, the Bank was one of the four SADC countries that successfully participated in the SADC payment system pilot projects called *SADC Integrated Regional Settlement System (SIRESS)*.

STATE OF THE ECONOMY IN 2013

4. **Global economic recovery continued, underpinned by strengthening growth momentum in advanced economies.** Global growth was estimated to have eased to 3.0 percent from 3.1 percent in 2012. The key factor contributing to a gradual growth was a recovery of both employment and domestic demand in the advanced economies, which was stronger than anticipated, especially during the latter part of 2013. Looking ahead, projections by the IMF indicate that global growth will improve to 3.7 percent in 2014, though, there are risks. This is on the back of policies aimed at reducing government deficits and debt accumulation in developed economies and restriction of growth in money supply in some major emerging economies following foreign exchange market turbulence and capital outflows as a result of the US Federal Reserve tapering of its Quantitative Easing bond-buying program.

5. **Despite a gradual pace in global growth, the Namibian economy is estimated to have slowed marginally to 4.3 percent in 2013, compared to 5.0 percent in 2012.** The estimated growth is ascribed to the construction sector along large private sector projects in the mining sector and business facilities, coupled with a large public works programme. Wholesale and retail trade also grew at relatively high rates, suggesting some resilient growth in private consumption. In

contrast, protracted drought conditions adversely affected the agriculture and the electricity generation sectors during the year.

6. **Inflation rate averaged 5.6 percent during 2013, a decline from 6.7 percent in 2012, while interest rates remained low.** The deceleration in overall inflation was due to a slowdown in the inflation rates for food and transport, which was 6.5 percent and 5.3 percent, respectively. Inflationary pressure remained low and has not posed an immediate threat to price stability. Against this background, the Bank maintained a low interest rate stance in support of the domestic economy. This means that the Bank's Monetary Policy Committee kept the Repo rate unchanged at 5.50 percent throughout 2013 to support the domestic economy in light of the fragile global environment and moderate inflation levels.

7. **On the fiscal front, Government continued with policies aimed at reducing government deficits and keeping the debt stock at sustainable level over the medium-term.** The provisional Government budget deficit is estimated at 3.0 percent of GDP in 2013/14, compared to a projected deficit of 6.4 percent of GDP, included in the 2013/14 Budget. Total Government debt as a percentage of GDP increased slightly by 0.8 percentage point to 23.9 percent at the end of 2013. At this level, the ratio of debt to GDP remains well below the Government's debt ceiling of 35.0 percent of GDP.

8. **The overall balance of payments recorded a surplus of about N\$598 million during 2013, compared to a lower surplus of N\$231 million in 2012.** The current account deficit remained sizeable due to a marked deterioration of the trade balance that more than offset the observed increase in current transfers. In addition, the International Investment Position (IIP) of Namibia registered a lower net asset position.

9. **The stock of international reserves held by the Bank rose by 6.7 percent to N\$15.7 billion by the end of 2013.** The months of import cover was slightly lower in 2013 compared to last year. This was largely due to the fact that imports increased faster than reserves. Nevertheless, overall reserves level has remained more than sufficient to support the fixed exchange rate arrangement and to meet international obligations.

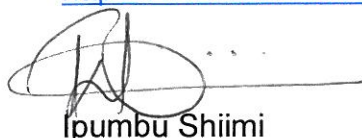
10. During 2013, the Namibia Dollar weakened against the US Dollar, British Pound Sterling and Euro, resulting in some *gains in external competitiveness*. The weakening of the Namibia Dollar/Rand emanated from negative sentiments that arose from labour unrests in South Africa's manufacturing and mining sectors. Furthermore, the US Federal Reserve efforts to—reduce its Quantitative Easing bond-buying program put pressure on emerging market currencies, including the Namibia Dollar/Rand. Namibia's external competitiveness improved somewhat in 2013, as suggested by the depreciation of the trade-weighted real effective exchange rate.

ASSESSMENT OF THE BANKING SECTOR

11. During 2013, the banking sector remained sound, profitable and well capitalised. In this regard, all banking institutions reported capital in excess of minimum regulatory requirements, and conforming to all other regulatory limits. The low interest rate environment also continued to be favourable towards borrowers, with non-performing loans to total loans remaining at their lowest. Although uncertainties remain a challenge globally, no immediate fears for a weakening in the asset quality, profitability or capital position of domestic banking institutions exist locally.

CONCLUSION

The media and the public at large are encouraged to read the entire report, which summarises the macroeconomic developments in 2013 and the general operations of the Bank. The Report is available upon request and can also be accessed at <https://www.bon.com.na/Publications/AnnualReports>.



GOVERNOR

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