



Bank of Namibia

**Public Enterprises CEOs Forum AGM
June 2022**

**Presented by:
Johannes !Gawaxab, Governor**





BON established by
Article 128 of the
Constitution;

Complemented by
Bank of Namibia Act
No. 1 of 2020.

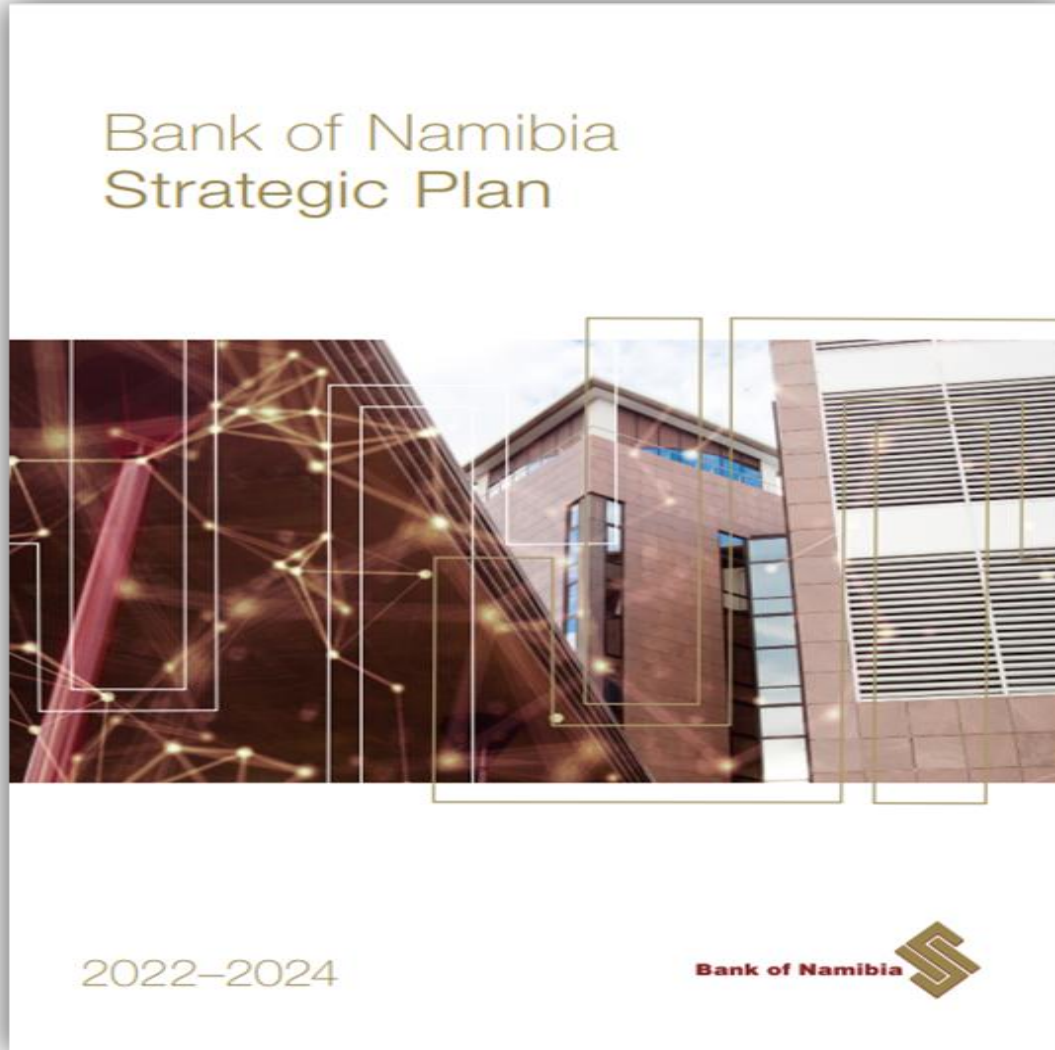
Wholly owned by the
Government of the
Republic of Namibia



Mandate of the Bank



New Strategic Plan (2022-2024)



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”

Overarching goals:

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



The State of the Economy



War adds more global economic challenges as the impact of Covid-19 subsides

- World output is now expected to grow at a slower pace than earlier forecasted, largely due to the impact of war in Ukraine and a resurgence in Covid-19 infections
- Inflation is likely to remain high in the medium term, driven by increases in commodity prices and supply shortages
- Commodity prices increased significantly since the beginning of the year 2022 – initially in line with recovery in the global economy and then compounded by the war in Ukraine

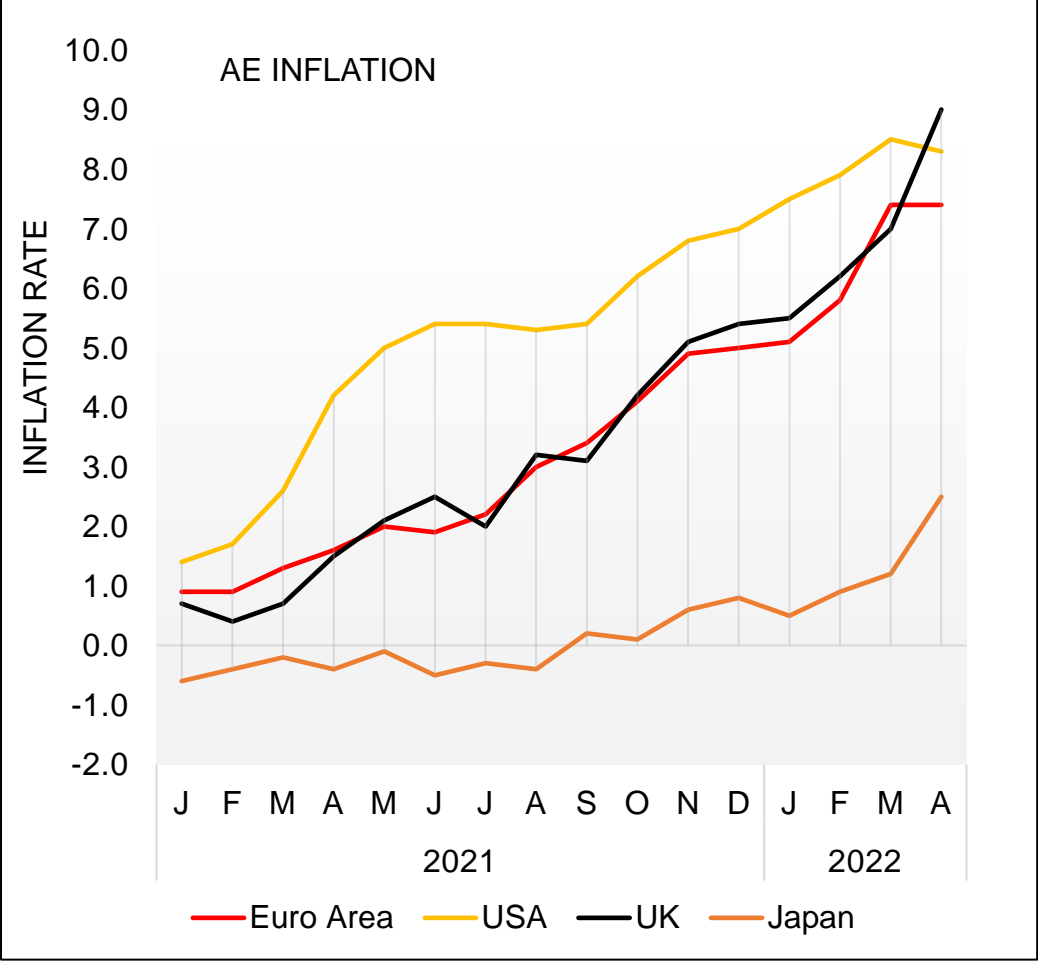
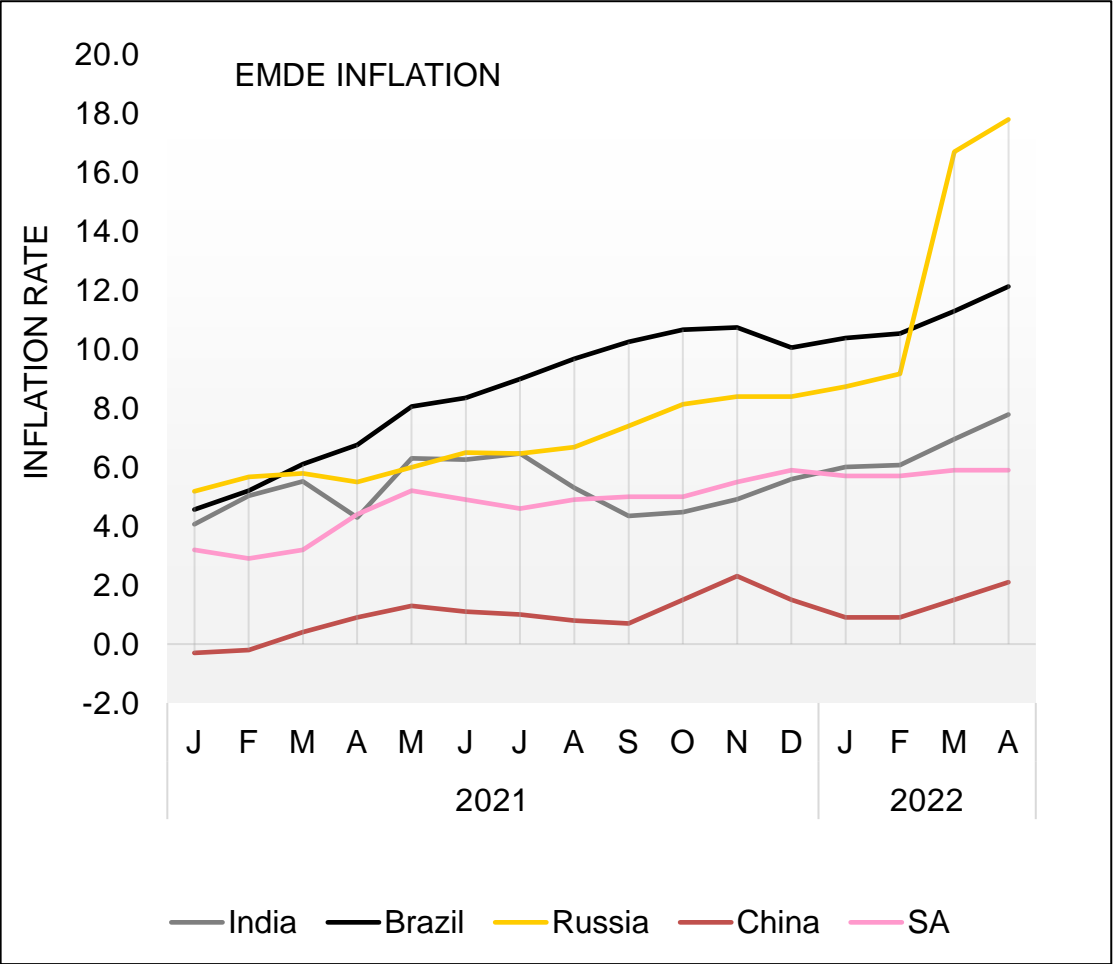
Global Growth

Following a solid rebound in 2021 to 6.1 percent on the back of softening of pandemic related restrictions, growth in the global economy is expected to moderate to 3.6 percent in 2022

Regions	Actual		Projections		Differences from January 2022 WEO	
	2020	2021	2022	2023	2022	2023
World Output	-3.1	6.1	3.6	3.6	-0.8	-0.2
Advanced Economies	-4.5	5.2	3.3	2.4	-0.6	-0.2
United States	-3.4	5.7	3.7	2.3	-0.3	-0.3
Euro Area	-6.4	5.3	2.8	2.3	-1.1	-0.2
Germany	-4.6	2.8	2.1	2.7	-1.7	0.2
France	-8.0	7.0	2.9	1.4	-0.6	-0.4
Italy	-9.0	6.6	2.3	1.7	-1.5	-0.5
Spain	-10.8	5.1	4.8	3.3	-1.0	-0.5
United Kingdom	-9.3	7.4	3.7	1.2	-1.0	-1.1
Japan	-4.5	1.6	2.4	2.3	-0.9	0.5
Canada	-5.2	4.6	3.9	2.8	-0.2	0.0
Other Advanced Economies	-1.8	5.0	3.1	3.0	-0.5	0.1
Emerging Market and Developing Economies	-2.0	6.8	3.8	4.4	-1.0	-0.3
China	2.2	8.1	4.4	5.1	-0.4	-0.1
India	-6.6	8.9	8.2	6.9	-0.8	-0.2
Russia	-2.7	4.7	-8.5	-2.3	-11.3	-4.4
Brazil	-3.9	4.6	0.8	1.4	0.5	-0.2
Sub-Saharan Africa	-1.7	4.5	3.8	4.0	0.1	0.0
South Africa	-6.4	4.9	1.9	1.4	0.0	0.0
Nigeria	-1.8	3.6	3.4	3.1	0.7	0.4
Angola	-5.6	0.7	3.0	3.3	0.0	0.0

Global Inflation

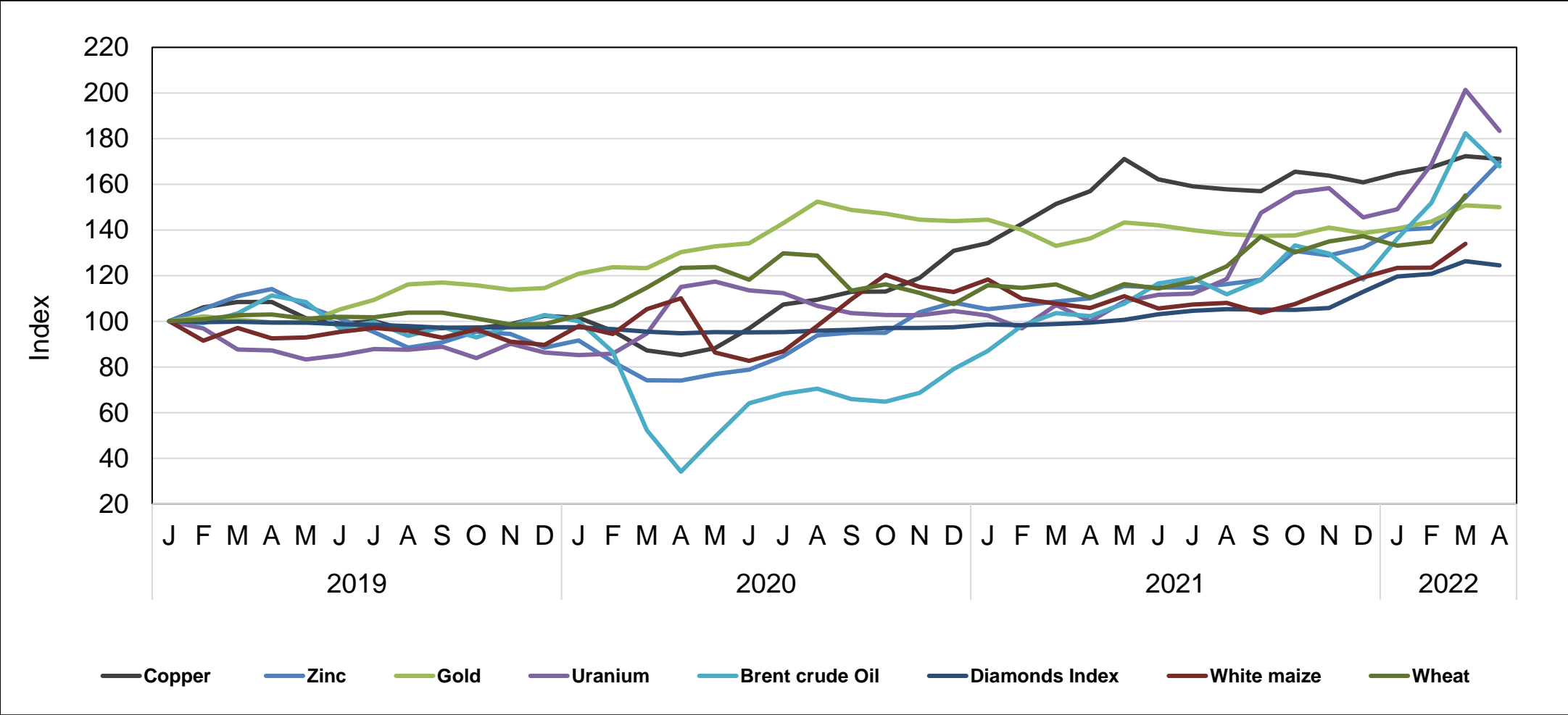
The world may be poised for a new inflationary era



Commodity Prices



Supply shortage concerns trigger significant prices increases

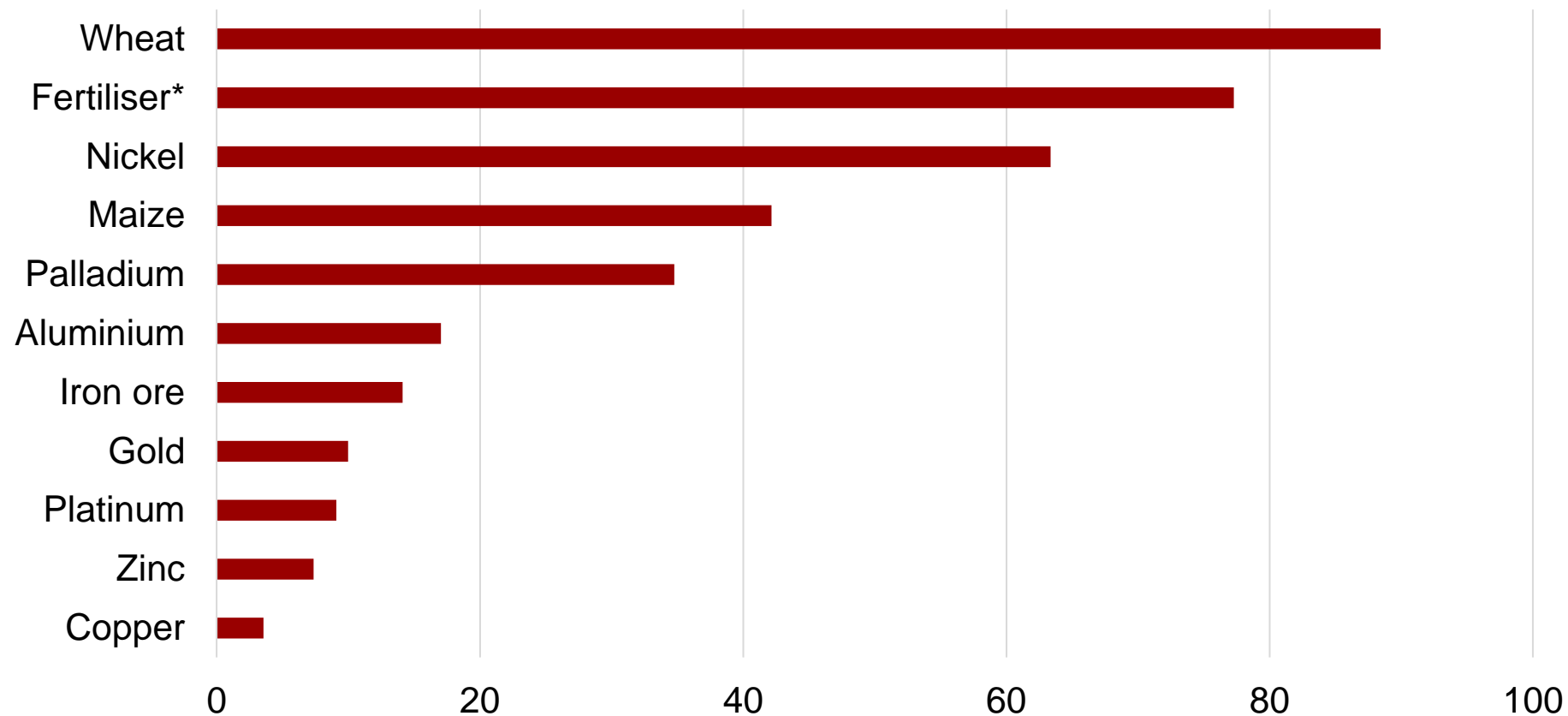


Commodity Prices...



Supply shortage concerns trigger significant prices increases

Commodity prices % change from Jan 2022 average



Impact of Russia-Ukraine war



Russia and Ukraine are major producers of:

- Crude oil;
- grains such as maize, wheat and barley; and
- Sunflower seed oil and Sunflower seed meal (fertilizer)
- **Since the beginning of the war late February 2022, the Brent crude increased by about 31.0 percent between January 2022 and May 2022**
- **The supply of grains and sunflower oil products from Russia/Ukraine has been disrupted, and as a result, prices for these products increased. Prices for wheat and maize increased by 58.0 and 50.1 percent, respectively.**
- **These price increases contributed to high inflation across the world**



The Domestic Economy

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

- Covid-19 infections increased at the start of the winter season, but vaccination rates remained low
- Economic growth is estimated to improve in both 2022 and 2023, from a moderate recovery in 2021. These improvements are largely supported by the diamond mining sector.
- Inflation has already started to increase and is projected to rise further during the remainder of 2022, mainly driven by high international prices for crude oil and food items
- The financial sector remained stable and adequately capitalised as assessed for the year ending December 2021

Covid-19 Situation in Namibia



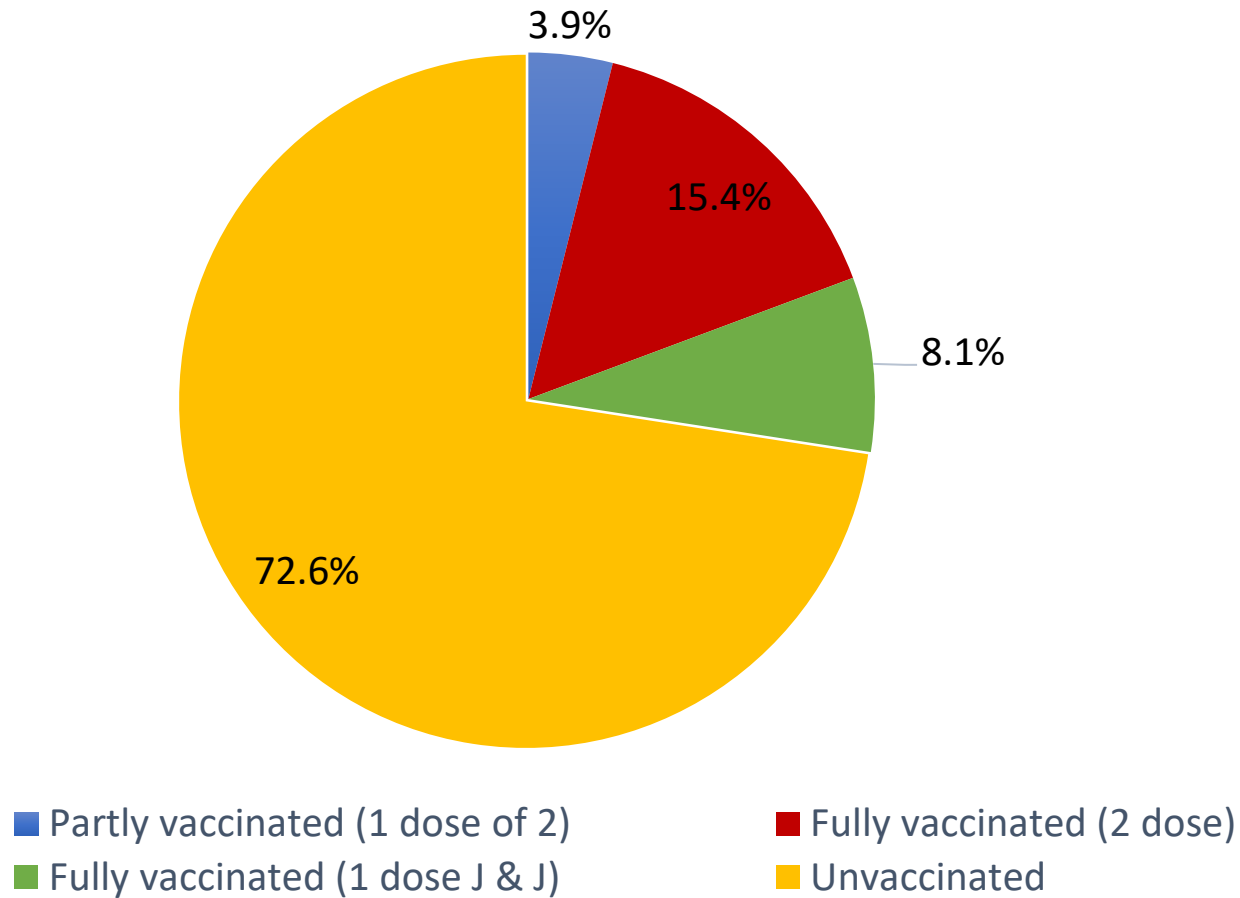
- ✿ The total number of people vaccinated keeps rising, though at a pedestrian pace, as vaccine hesitancy remains a serious concern
- ✿ Covid-19 infections increased since mid-May 2022, but deaths remained low

Cumulative confirmed cases	163,455
New cases (29 May 2022)	67
New reinfections (29 May 2022)	3
Cumulative cases including reinfections	166,189
Recoveries	159,448
Recovery rate (%)	95.9%
Active cases	2,689
Total Covid-19 deaths and related deaths	4,377
Cumulative Covid-19 vaccine 1st dose	488,286
Cumulative Covid-19 vaccine 2nd dose	273,837
Cumulative Covid-19 vaccine 3rd dose (booster)	64,996
Cumulative Covid-19 vaccine completed	418,507
target Population	1,779,271

Covid-19 Situation in Namibia



Vaccine rollout, 29 May 2022



Vaccine hesitancy hinders rollout of Covid-19 vaccination in Namibia.

- ☼ Only **23.5%** of the target population is fully vaccinated
- ☼ **27.4%** of target population received at least one dose.
- ☼ **72.6%** of the target population or about 1.8 million eligible people are still not vaccinated.



- Growth in **Agriculture, forestry and fishing** is expected to improve slightly in 2022 but remain low in line with low livestock marketing 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 the new mining vessel.
- The **uranium mining sector** is anticipated to register healthy growth rates during 2022 and 2023, despite challenges in form of low prices and water supply constraints.
- Growth in **metal ores** is to be supported by higher output from the gold sub-sector, which has the largest weight in metal ores.
- **Mineral exploration** activity is set to continue in 2022 and beyond.

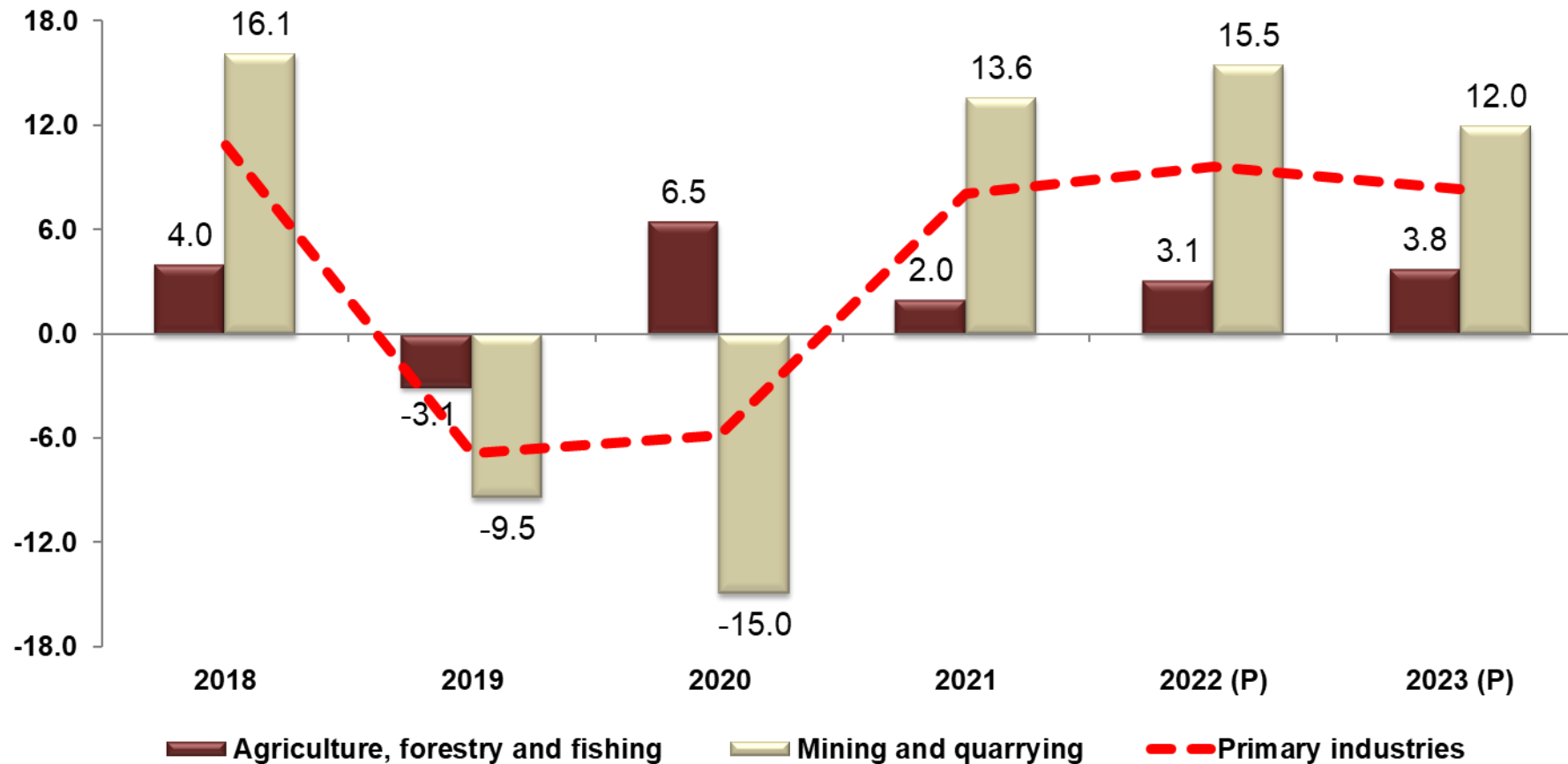
Forecasting Assumptions...



- Overall, the domestic economic growth is expected to improve in 2022, supported by robust growth in the **diamond mining and gradual recoveries in secondary and tertiary industries.**
- The major risks that may impede the projected economic growth in 2022 and 2023 include:
 - ✓ Possible emergence of **further variants of Covid-19**, which may lead to restrictions on travelling and other economic activities;
 - ✓ If the **Russia-Ukraine conflict** is extended for a long time, it may lead to further price increases for fuel and wheat, which are important production inputs; and
 - ✓ The coastal towns are still faced with **breaks in water supply**, as this has become number one risk faced by Uranium mines in Namibia.

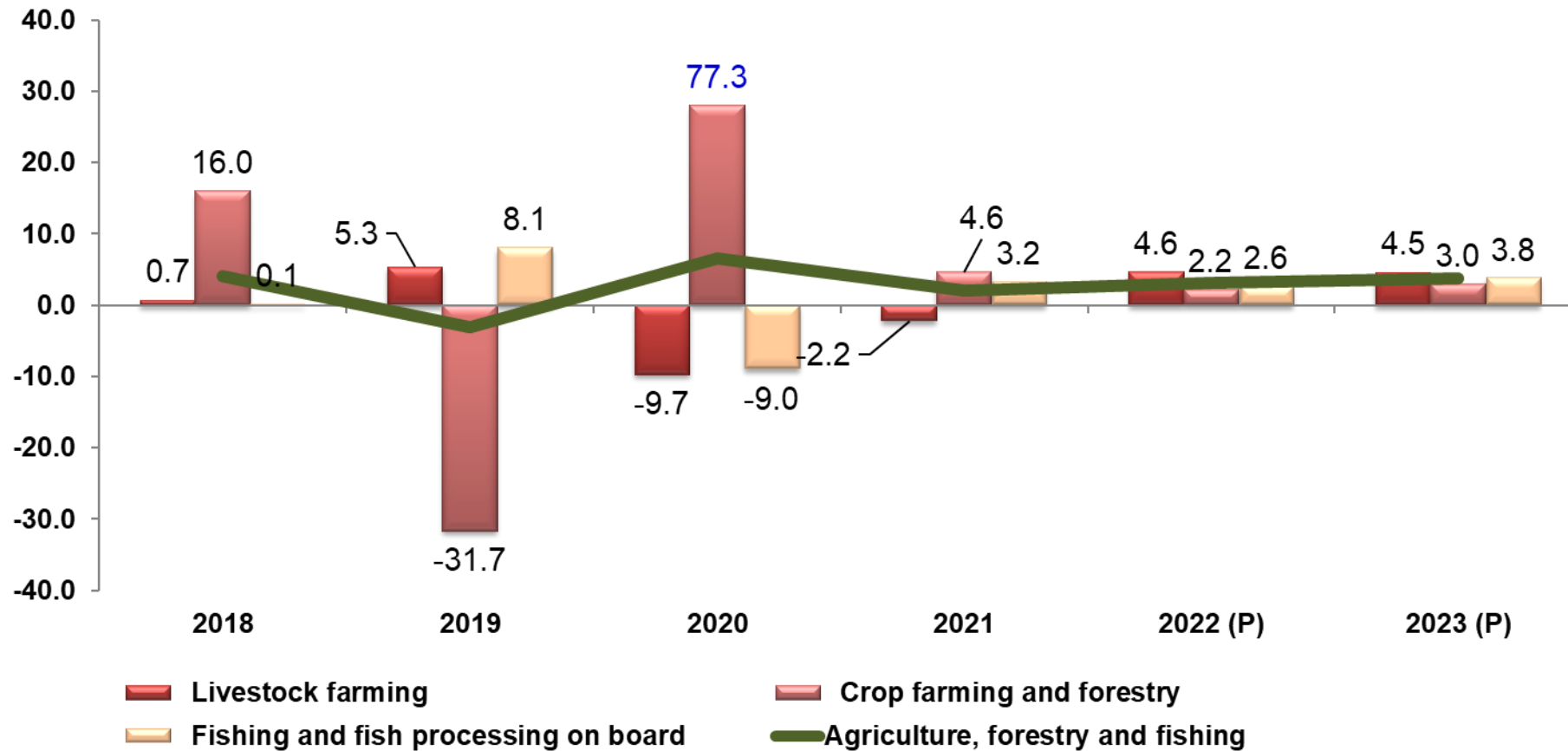
Primary Industries

Primary industries to grow by **9.6 and 8.3 percent** in 2022 and 2023, respectively, an improvement from **8.0 percent** for 2021



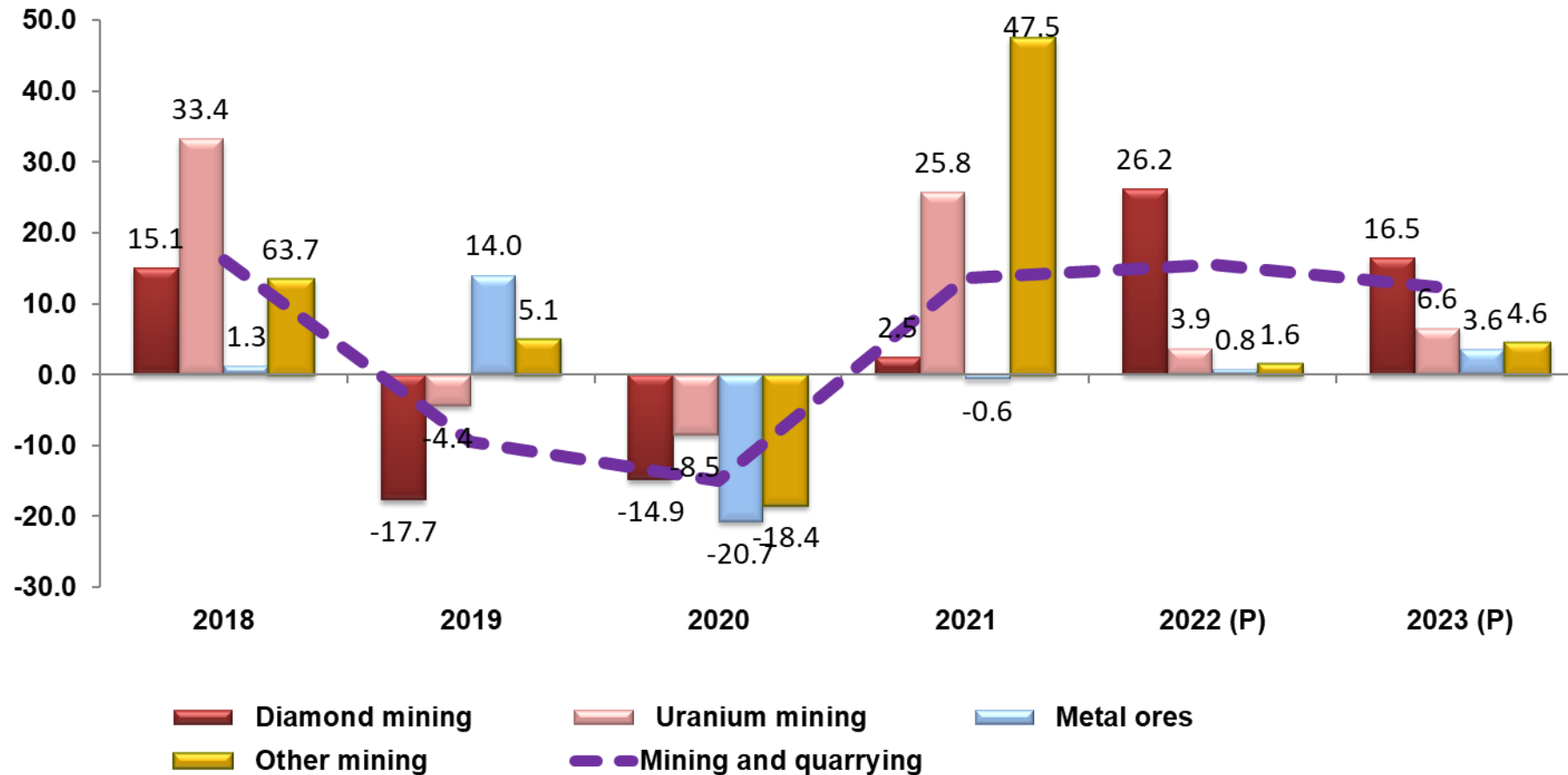
Agriculture

Agriculture to grow by 3.1 and 3.8 percent in 2022 and 2023, respectively, from 2.0 percent in 2021



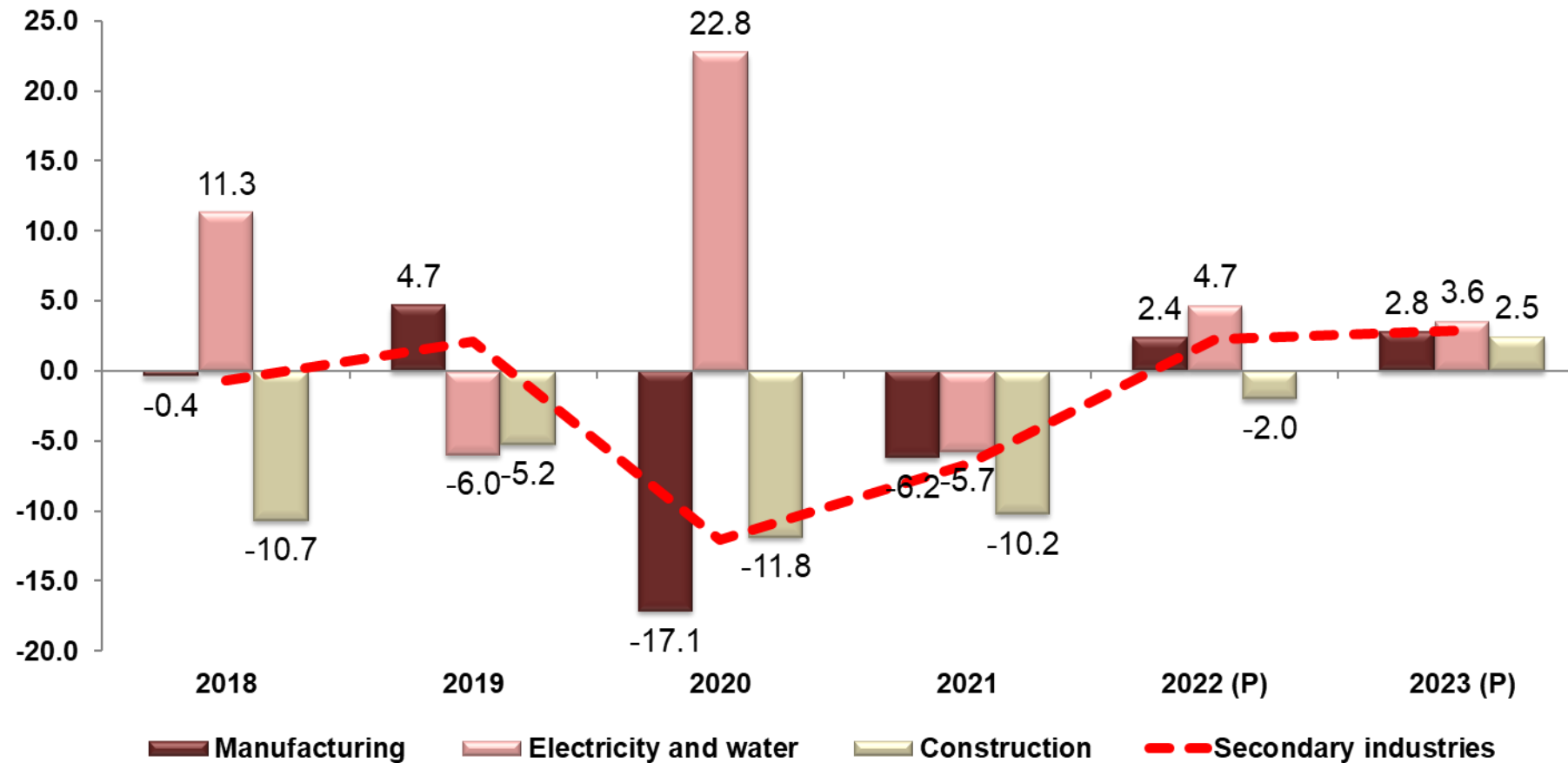
Mining Industry

Mining to **expand by 15.5 percent and 12.0 percent** in 2022 & 2023, respectively, supported by diamonds



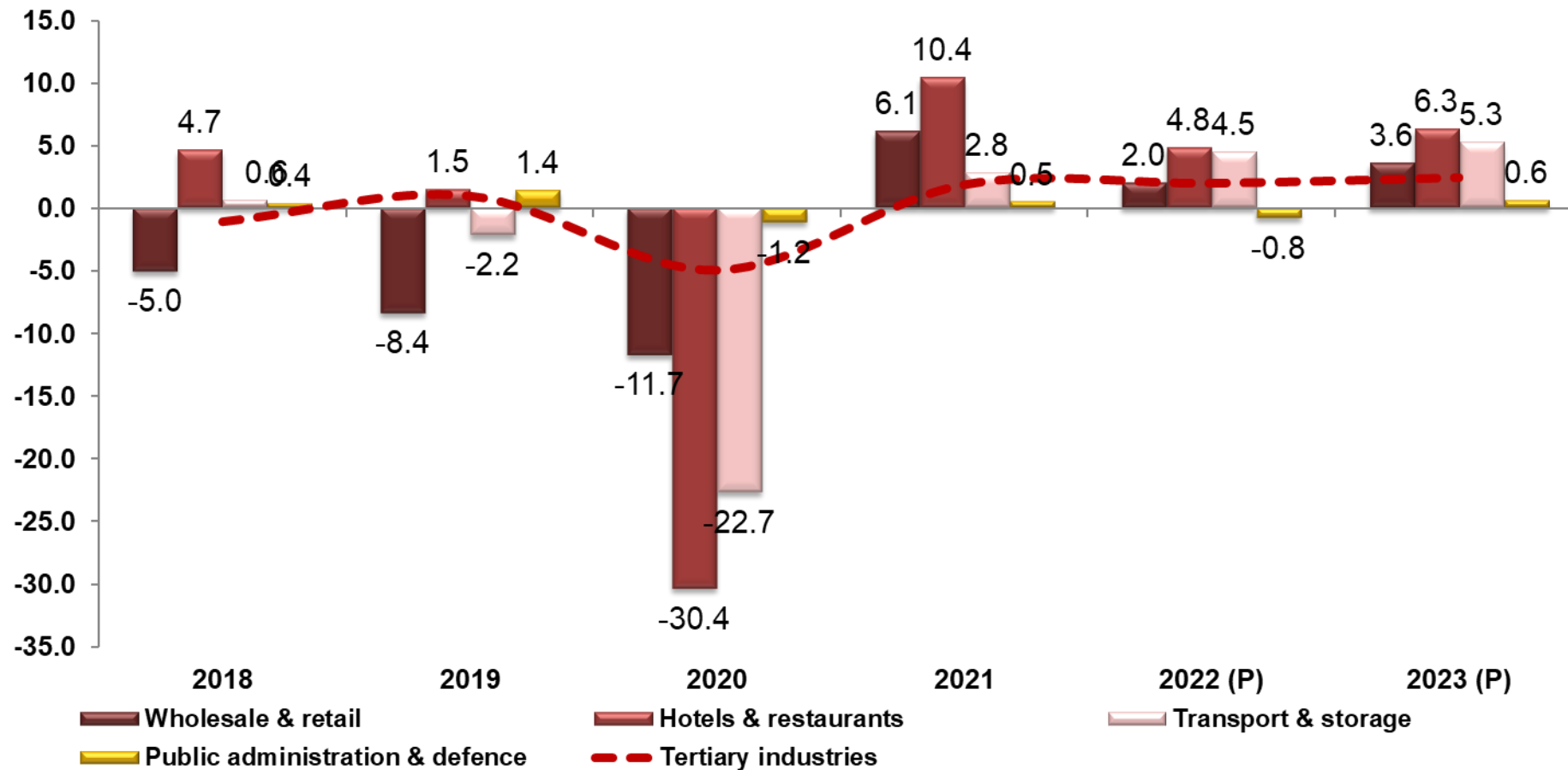
Secondary Industries

Secondary industries **expand by 2.2 and 2.9 percent** in 2022 and 2023, respectively
– broad-based, but with exception of construction



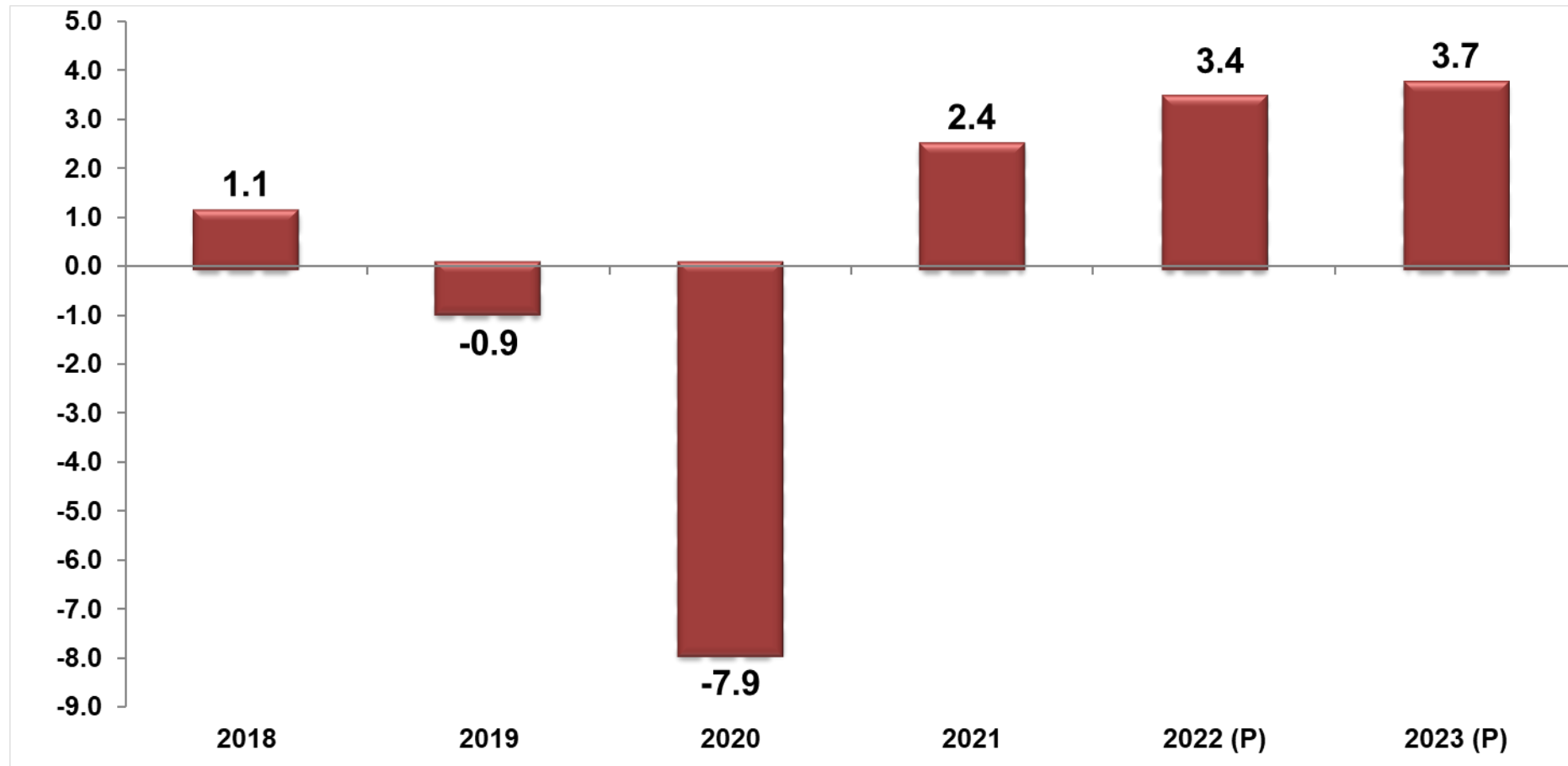
Tertiary Industries

Tertiary industries to grow by **2.0 and 2.5 percent** in 2022 and 2023, respectively, an improvement from **1.9 percent** in 2021



Overall Growth

Overall GDP growth to improve to 3.4 percent in 2022, mining being a key driver, but with a broad-based recovery across sectors

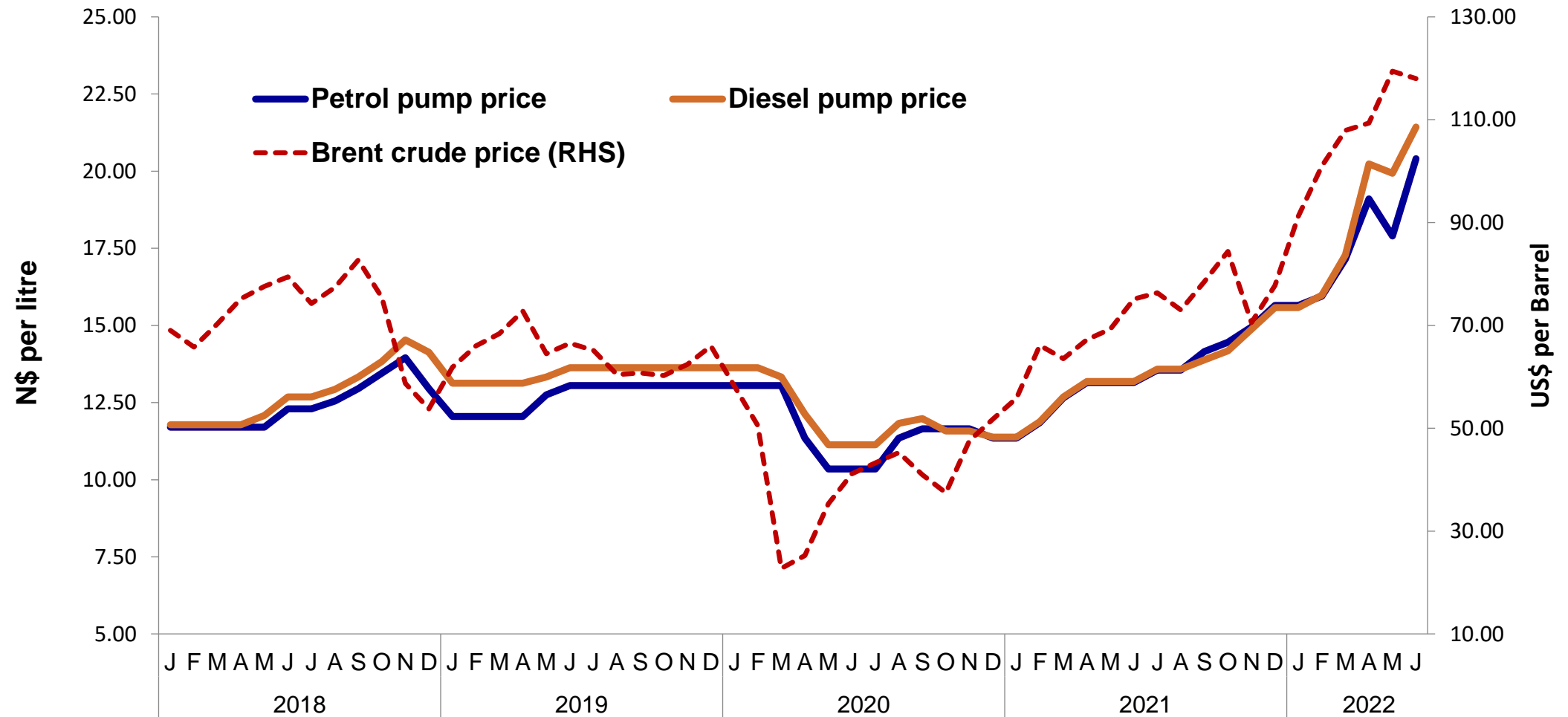




Conduct of Monetary Policy

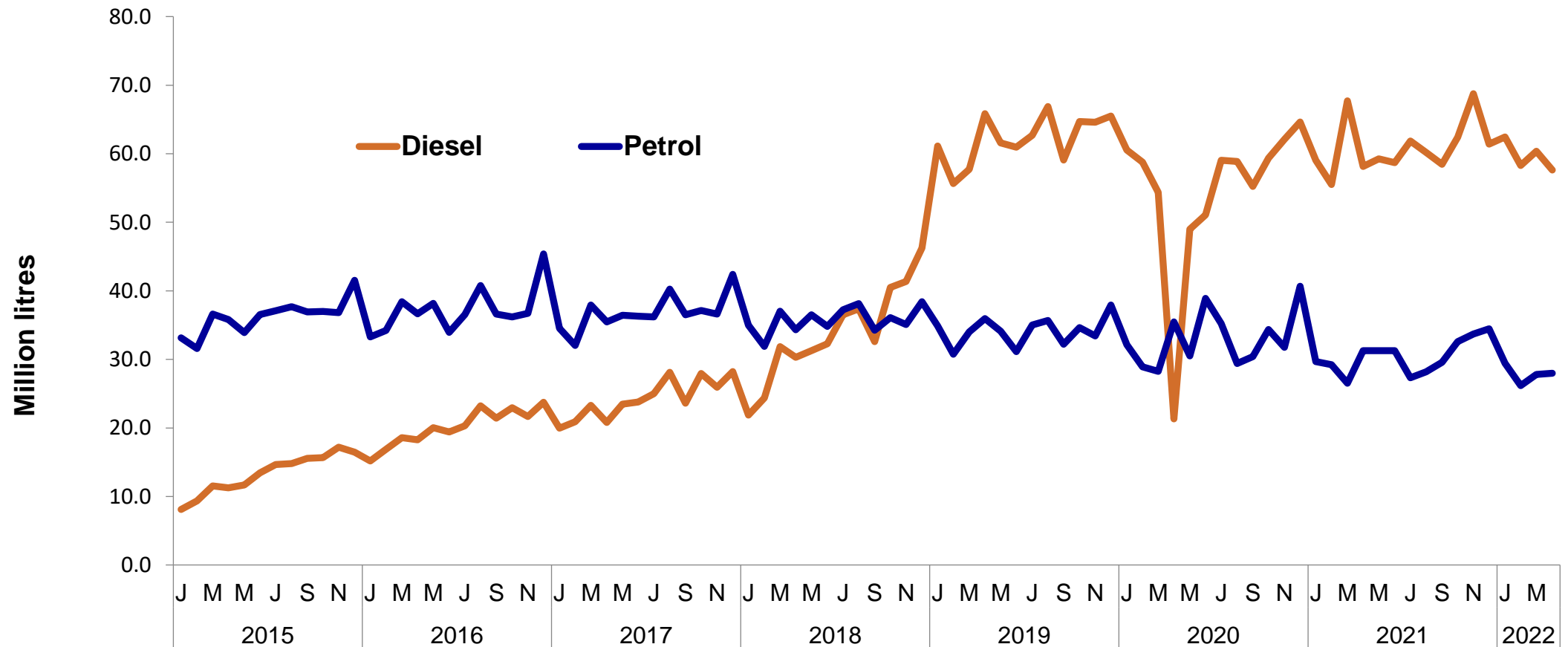
Inflation Projections

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



Inflation Projections

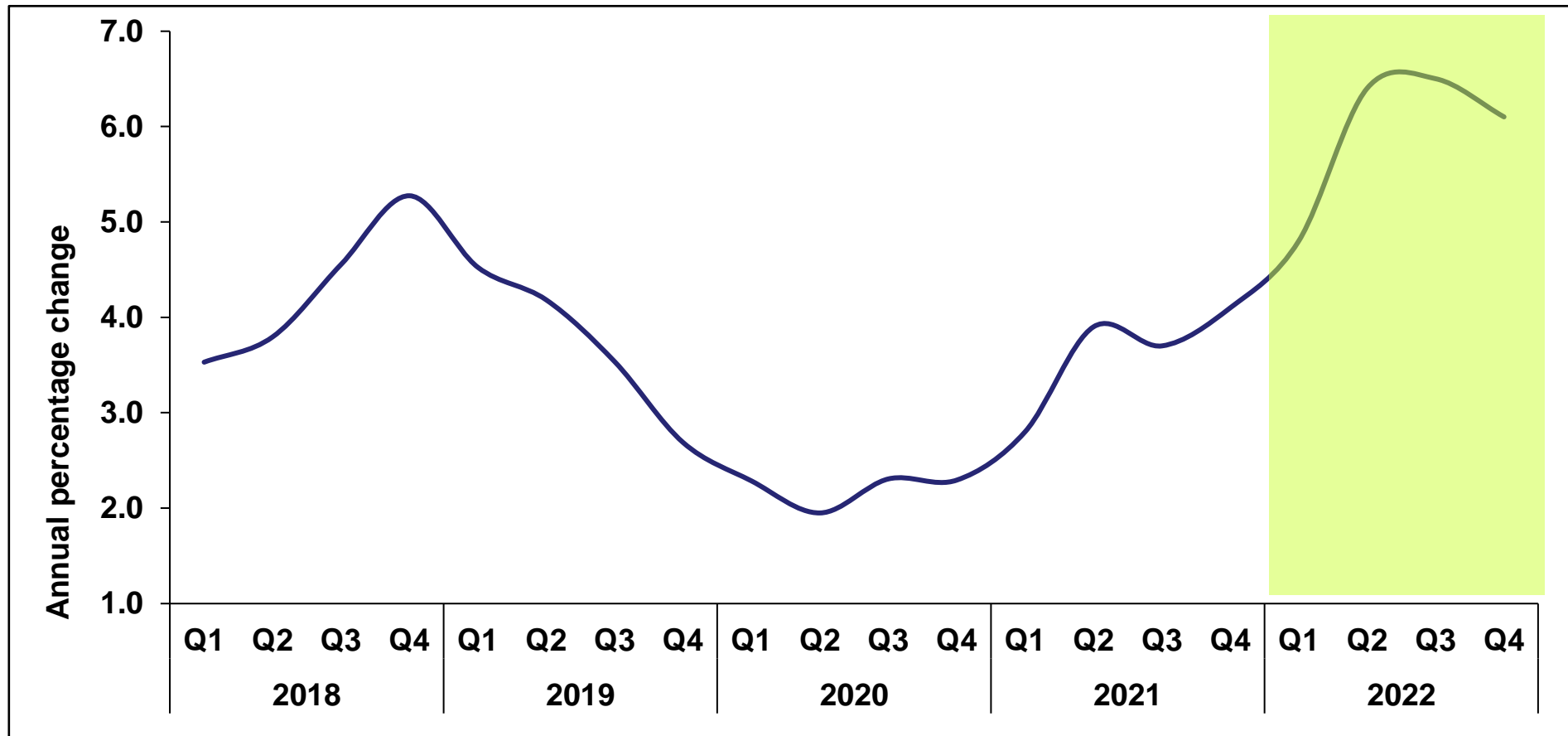
Namibia is a price taker in the Global oil markets i.e. We do not influence international oil prices or factors such as exchange rates that also determine the oil price in NAD terms



Inflation Projections

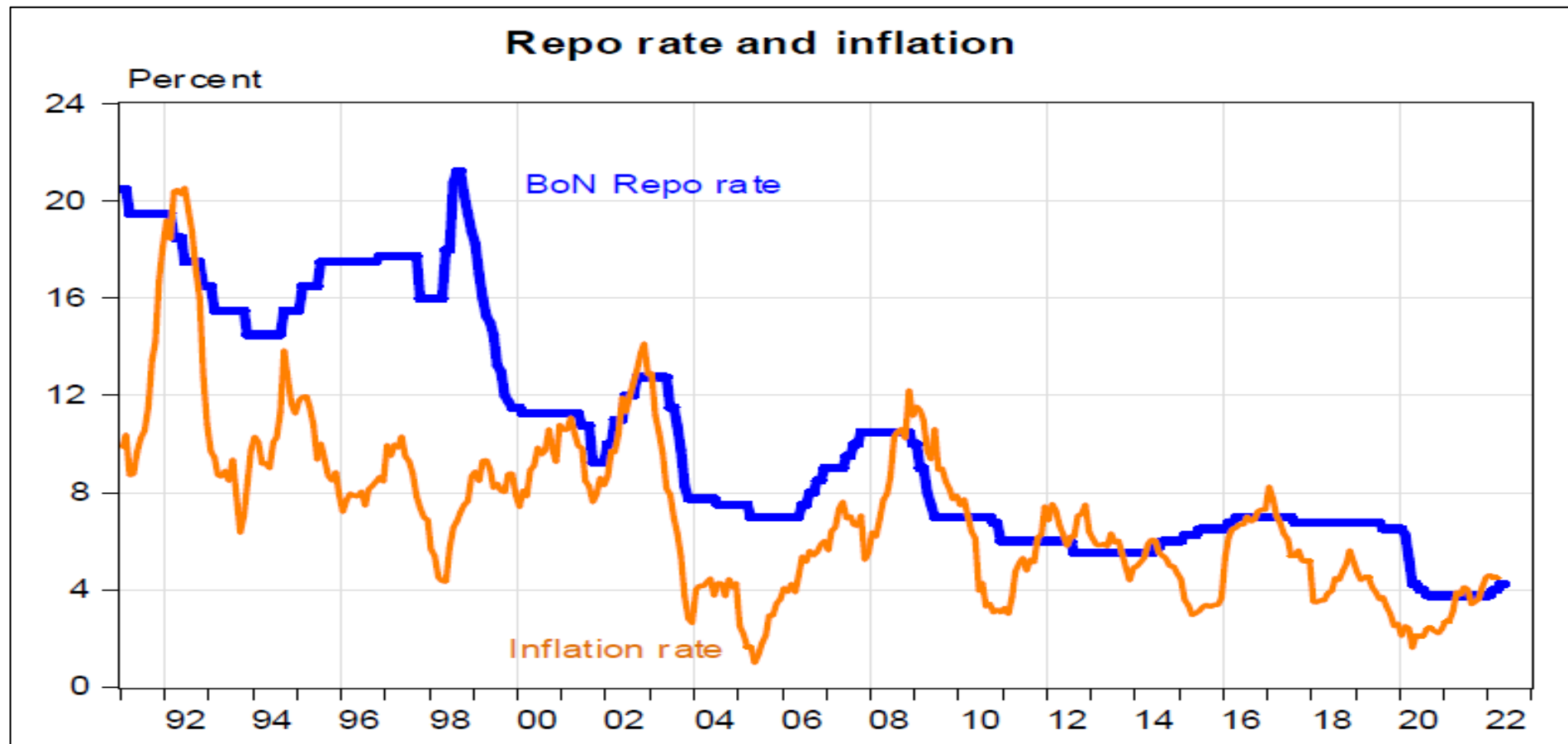


Annual inflation is expected to average 6.0 percent in 2022, up from 3.6 percent in 2021





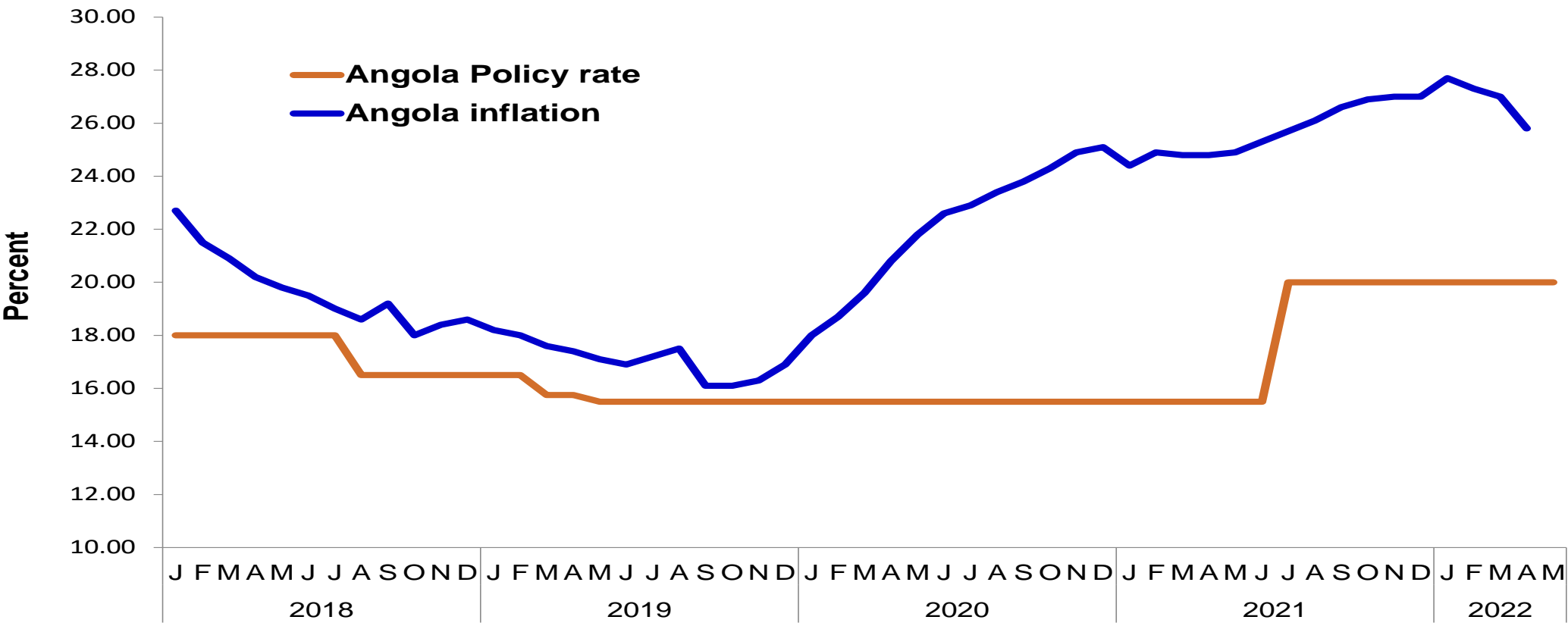
In order to support the economy, amidst the pandemic, the Bank swiftly adopted ultra-accommodative monetary policy in 2020 and kept the Repo rate at a record-low level through to early 2022. As inflation pressures started building up internationally and locally and central banks started reducing monetary stimulus, the Bank raised the Repo rate by 25 basis points in February 2022 and again by 25 basis points in April.





The Angolan GDP is largely derived from services, construction, manufacturing, mining and agriculture, with annual GDP of US\$62.3 billion (2020) and per capita income of US\$6,020 (2020). The Angolan currency is the Kwanza (AOA)

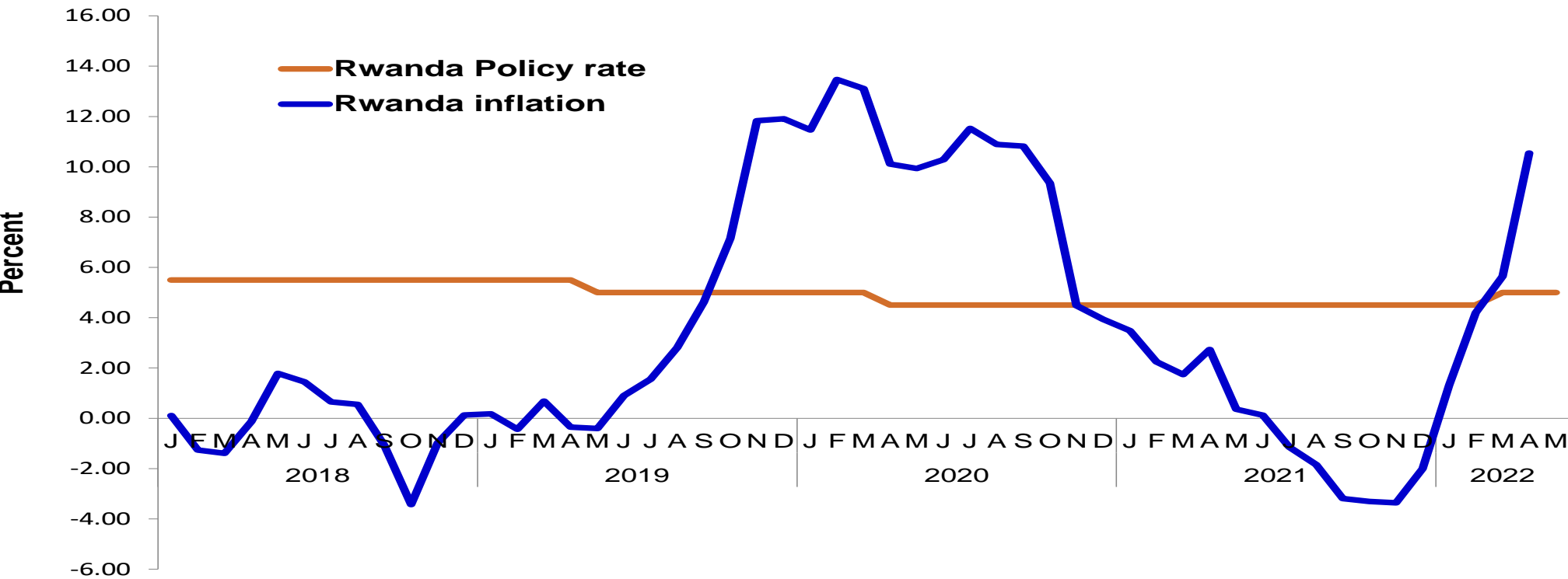
Angola’s inflation increased since late 2019 and the policy interest rate appear to have been used to moderate inflation in 2021





Rwanda is a landlocked country in Central Africa, with annual GDP of about US\$10.3 billion (2020) and per capita income of around US\$800 (2020). Its currency is the Rwandan franc.

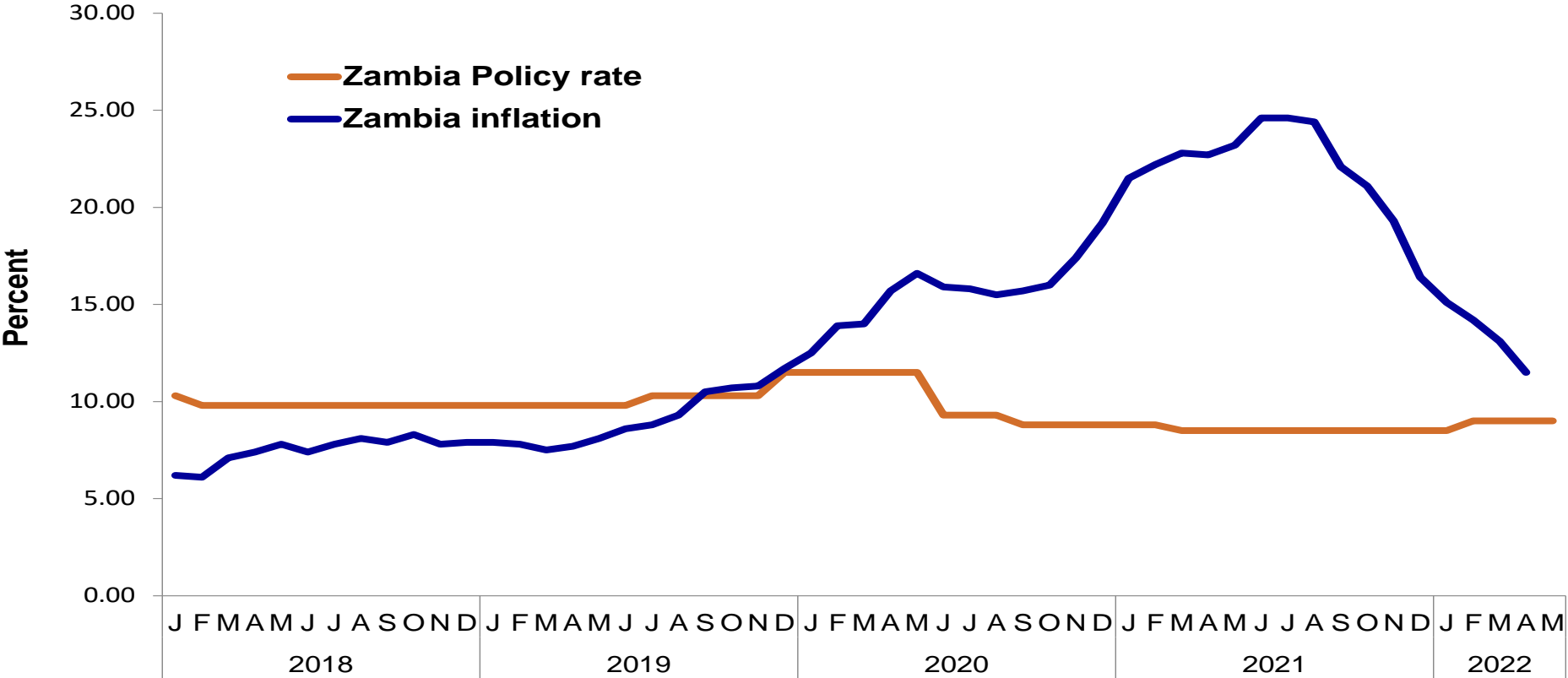
Rwanda’s policy interest rates remained virtually unchanged despite fluctuation in inflation over the last four years. This indicate that interest rate policy is not much used in Rwanda





The size of the Zambian economy is at US\$19.3 billion (2020) with per capita income of US\$1,051 (2020). The national currency is the Zambia Kwacha.

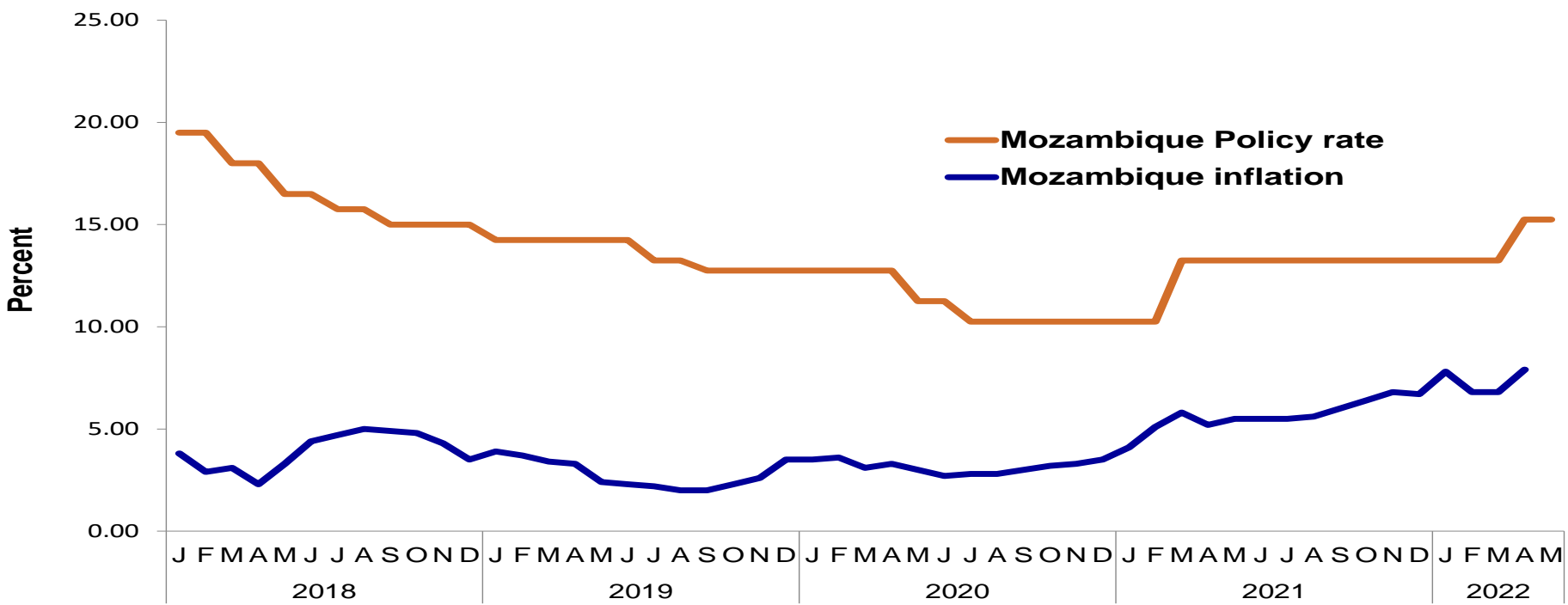
Zambia’s inflation has been on the rise from 2018 to mid-2021 when it started to fall. Similar to Rwanda, interest rate policy is not much used in Zambia to tame inflation, at least during this period





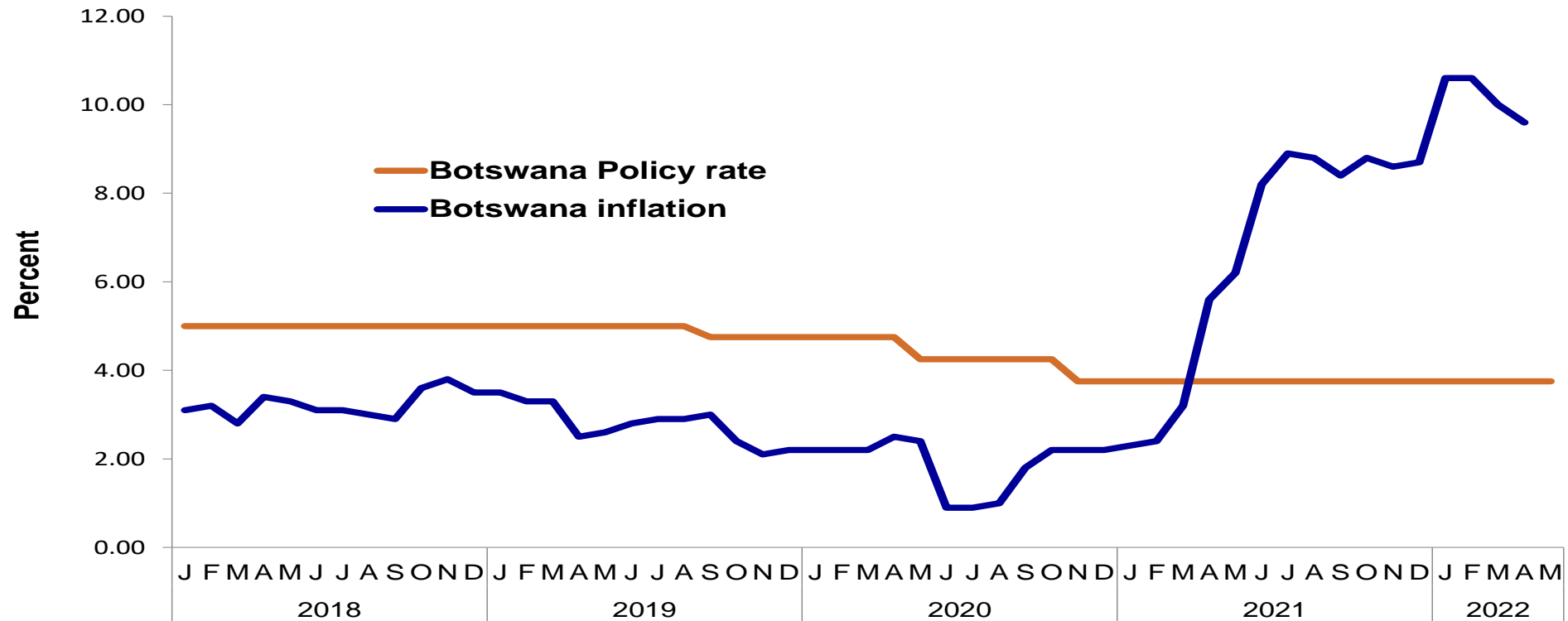
The size of the Mozambique economy is at US\$14.0 billion (2020) with per capita income of US\$448.61 (2020). The national currency is the Mozambique metical.

Zambia’s inflation has been on a steady rise since 2019 but remained at acceptable level. The policy rate tracked the movements in inflation, suggesting that interest rate policy is used to tame inflation



The size of the Botswana economy is at US\$15.8 billion (2020) with per capita income of US\$6,711 (2020). The national currency is the Botswana Pula.

Botswana's inflation has been on a steady rise since 2020 but the policy rate remained flat



Regional fuel prices

Angola and Botswana have the lowest fuel prices, Namibia and Rwanda have similar fuel prices, while South Africa has the highest amongst the 7 countries

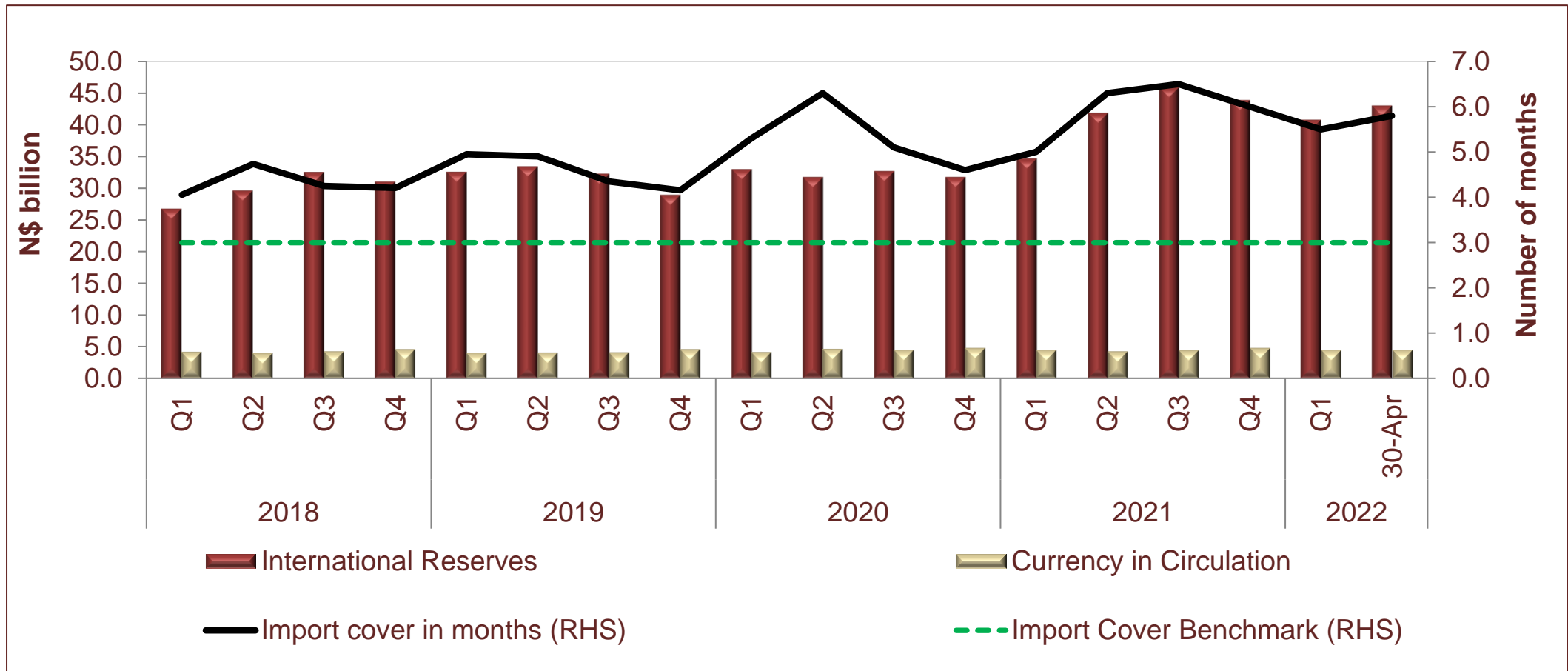
		US\$ per litre	N\$ per liter
Angola	Petrol	0.38	5.96
	Diesel	0.32	5.04
Botswana	Petrol	1.16	18.21
	Diesel	1.17	18.26
Namibia	Petrol	1.20	20.40
	Diesel	1.34	21.43
Rwanda	Petrol	1.33	20.85
	Diesel	1.34	20.99
Zambia	Petrol	1.40	21.95
	Diesel	1.49	23.29
Zimbabwe	Petrol	1.44	22.57
	Diesel	1.50	23.45
South Africa	Petrol	1.54	24.08
	Diesel	1.62	25.30

Note: Prices for 30 May 2022, for Namibia are for 1 June 2022

Sources: Global petrol prices, Ministry of Mines and Energy for Namibia

Namibia's International Reserves

As of 30th April 2022, the stock of international reserves stood at N\$43.0 billion (5.8 months of imports).



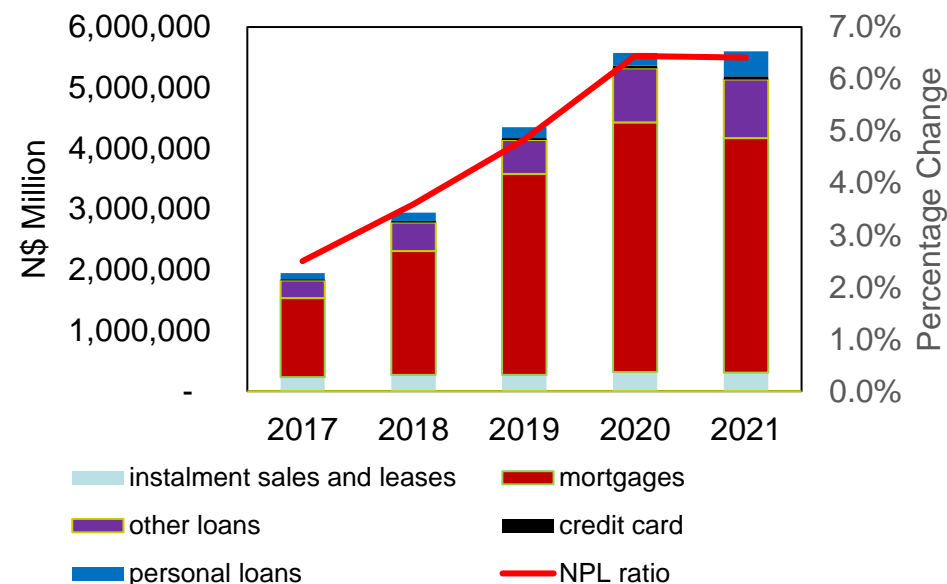
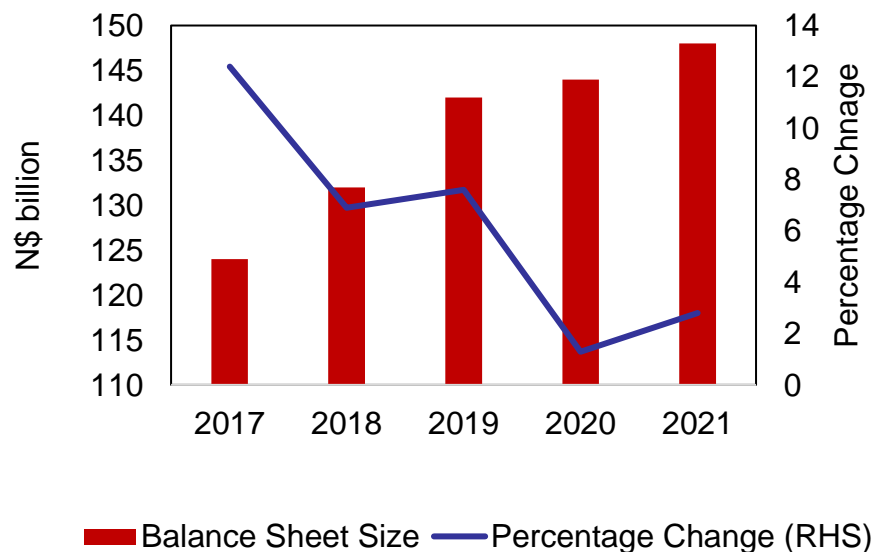


Financial Stability

Performance of the Banking Sector



- The performance of the banking sector has remained sound, despite subdued economic conditions. The banking sector maintained an adequate capital position in 2021.
- The banking sector balance sheet growth remained positive during the period under review, despite sluggish economic conditions. The NPL ratio contracted marginally from 6.44 percent in 2020 to 6.41 percent in 2021.



Amendment to BID33



- In view of economic challenges posed by Covid-19, the Bank amended the Determination on Policy Changes in Response to the Economic & Financial Stability Challenges (i.e. BID-33).
- Some of the key changes introduced by the amendments include the extension of the Determination for an additional twelve months, i.e. until 1 April 2023. The loan repayment moratorium provided in the Determination has also been revised from 6–24 months to a period of 1–24 months.
- To ensure that banking customers are not unduly impacted by negative credit bureau listings as a result of the implementation of the Determination, banking institutions, as credit providers, should not report those benefitting from a loan moratorium rolled over for less than 12 months as delinquent to credit bureaus.
- The Bank presented the industry with possible NPL recovery options, with the aim of increasing the banking institution's ability to recover, which included securitisation, debt restructuring options and debt-to-equity options.
- The SME's have been dealt a blow by the Covid-19 pandemic. BoN together with Ministry of Finance announced the N\$ 500 million SME Loan scheme in 2021. The uptake has been slow and the modalities are currently being re-worked.



Summary & Conclusion



Recovering the Economy:

- A possible strong recovery is likely to be disrupted by the Russia-Ukraine war and increasing Covid-19 cases.
- Namibia must raise the momentum of Covid-19 vaccine uptake to increase herd resistance, especially headed for winter. *WE ARE NOT OUT OF THE WOODS.*
- Inflation will remain elevated going forward. Monetary Authorities should act!
- All of us have a role to play to recover the economy on a sustainable footing going forward.
- Productivity and competitiveness as well as enhancing resource allocation to productive sectors should be prioritized.
- Growth enhancing strategies for the post-Covid-19 era to drive economic recovery require concerted efforts and mobilization of stakeholders.
- The Diversification Plan developed by Harvard GrowthLab, MOF, NPC should be fully executed.
- Namibia should leverage its natural resources endowment (**G**reen Hydrogen, **O**il, **R**esources (gold, rare-earth metals) and create **W**ealth – GROW)
- Create **CONFIDENCE** as a result of these game changers and explore opportunities downstream.



Bank of Namibia

THANK YOU