

FINANCIAL STABILITY REPORT APRIL 2025

Safeguarding Financial Stability in a Changing Global Landscape



Bank of Namibia





CONTENTS

1

▶ Introduction

2

▶ Global macroeconomic assessment

3

▶ Domestic macroeconomic assessment

4

▶ Risks to financial stability in Namibia

5

▶ Conclusion

► What is Financial Stability and the purpose of the FSR?

- Financial system stability is defined as the resilience of the domestic financial system to internal and external shocks, be they economic, financial, or political.

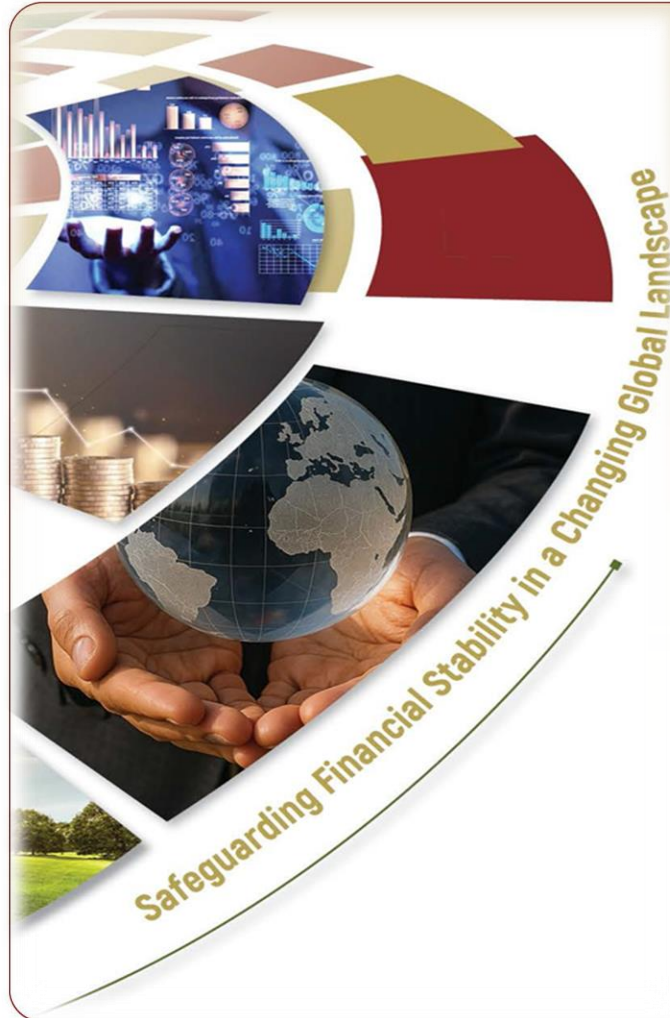


- The purpose of the Financial Stability Report is to identify risks and vulnerabilities in the financial system, assess the system's resilience to domestic and external shocks, and present recommended policy responses to the risks identified.





Introduction



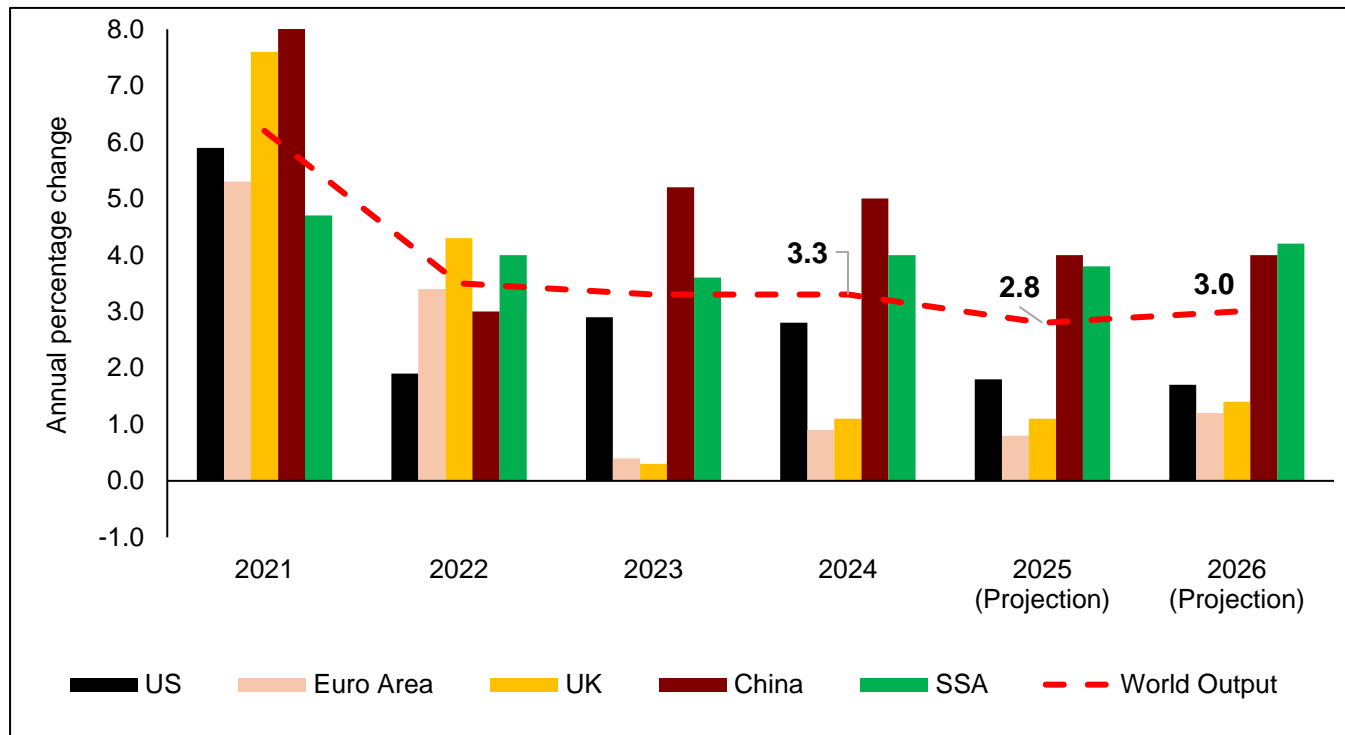
🌐 The Namibian financial sector remained stable, sound, and resilient amidst moderate economic conditions.

🌐 The Namibian financial stability outlook is shaped around global economic uncertainty and trade tensions.

🌐 Global growth remained stable during 2024, albeit below its historical average of 3.7 percent.

Global macroeconomic assessment

Global economic growth remained stable at 3.3 percent during 2024 and is projected to fall to 2.8 percent in 2025.



Global Financial Stability Developments

Global financial stability risks have increased, driven by tighter financial conditions and heightened economic policy uncertainty.



▶ **Tariffs and economic policy uncertainty**

▶ **High leverage among hedge funds and NBFIs has increased their interconnectedness with the banking sector.**

▶ **Sovereign bond market may experience turbulence, particularly in economies with elevated public debt.**

▶ **Geopolitical tensions**

Domestic Macroeconomic Risk Assessment

The domestic economy expanded by 3.7 percent in 2024 and is expected to improve slightly in 2025.



Depressed diamond prices and increased pressure from lab-grown diamonds.



Climate conditions have asymmetric effects on sectors.



Geopolitical uncertainty and trade tensions could affect growth prospects.



Lower SACU receipts could worsen fiscal pressures.

Performance of the Banking Sector

Banking Assets

Total asset growth remained positive.

+7.1%

From N\$174.35 billion to **N\$186.73** billion

Profitability

The profitability of the sector continued to be healthy.

+0.3% **+1.6%**

During 2024 both the **ROA** and **ROE** increased to **2.4** percent and **19.9** percent, respectively.

Liquidity and Capital

Both liquid asset holdings and capital remained above prudential requirements.

+2.4% **-0.2%**

The banks remained liquid and well capitalised during 2024.

Stress Testing

The banking sector can absorb various macroeconomic shocks.

13.3%

Post shock CAR ratio under severe scenario remain above the minimum threshold.



Performance of the Non – Bank Sector

Asset growth

Favourable financial market conditions, and moderating inflation that enhanced consumer purchasing power.

+14.3%

Aggregate assets increased to **N\$474.1 billion** in **2024**

Solvency position

The sector maintained a sound solvency position on the back of stable demand, coupled with moderating inflation rates and an expansionary fiscal policy.

101.3% 116.9%

Funding and solvency positions maintained above 100 percent during 2024.

Resilience & adaptability

The strategic significance of the NBFIs sector extends beyond its asset base to its crucial role in supporting national fiscal stability.

30%

RFs and LTI's collective holding of outstanding sovereign debt.

Payments infrastructure

Disruptions to the NISS

The NISS maintained a high level of system availability.

99.98%

The NISS surpassed the set target of **99.90%**.

Security of retail payments

Total value of fraudulent transactions increased during 2024.

+5.56%

Card fraud up from **N\$18 million** in **2023** to **N\$19 million** in **2024**.

NISS settlement windows

Majority of total transactions settled in earlier windows.

80.40%

N\$1.02 trillion settled in windows 1 and 2 and **N\$248.6 billion** in window 3.



Risks to Financial Stability in Namibia

Nature of risk	Direction of risk since April 2024	Probability of risk materialising in 2025	Impact of risk materialising in 2025	
Macroeconomic environment events/risks				
Global economic slowdown	Up			
Global financial turbulence	Up			
Domestic economic slowdown	Up			
Inadequacy in international reserves	Up			
Sovereign credit rating downgrade: Namibia	Unchanged			
Sovereign credit rating downgrade: South Africa	Unchanged			
Excessive Namibia Dollar/South African Rand depreciation	Unchanged			
Public sector debt risk				
Increase in public sector debt	Unchanged			
Key		Low	Medium	High

▶ Risks to Financial Stability in Namibia

Nature of risk	Direction of risk since April 2024	Probability of risk materialising in 2025	Impact of risk materialising in 2025	
Household and corporate debt risk				
Excessive increase in household debt	Unchanged	<div><div></div></div>		
Excessive increase in corporate debt	Unchanged	<div><div></div></div>		
Banking sector risks				
Liquidity risk	Down	<div><div></div></div>		
Capital adequacy	Down	<div><div></div></div>		
Credit risk	Unchanged	<div><div></div></div>		
Payment system risks				
Security of retail payments	Unchanged	<div><div></div></div>		
Settlement in last window	Unchanged	<div><div></div></div>		
Key		Low	Medium	High

▶ Risks to Financial Stability in Namibia

Nature of risk	Direction of risk since April 2024	Probability of risk materialising in 2025	Impact of risk materialising in 2025	
Non-banking financial institution risks				
Funding position	Unchanged			
Demographic and Structural Challenges	Up			
Financial Market Volatility and Interest Rate Risks	Down			
Solvency position	Unchanged			
AML\CFT\CPF - Grey-listing	Unchanged			
Cyber risk	Up			
Climate risk	Unchanged			
Key		Low	Medium	High

Conclusion

- Despite moderate economic conditions, the financial system in Namibia maintained its soundness and resilience.
- Overall, risks to the Namibian financial system stability remains low to moderate, with potential vulnerabilities arising from the global uncertainty.
- Risks to financial stability in Namibia will be monitored accordingly under the advisory guidance of the FSSC and the direction of the MOC.





**THANK
YOU**