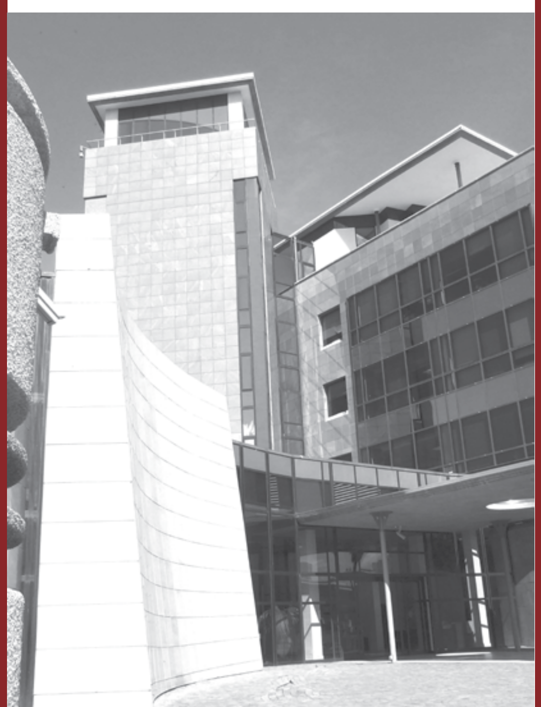
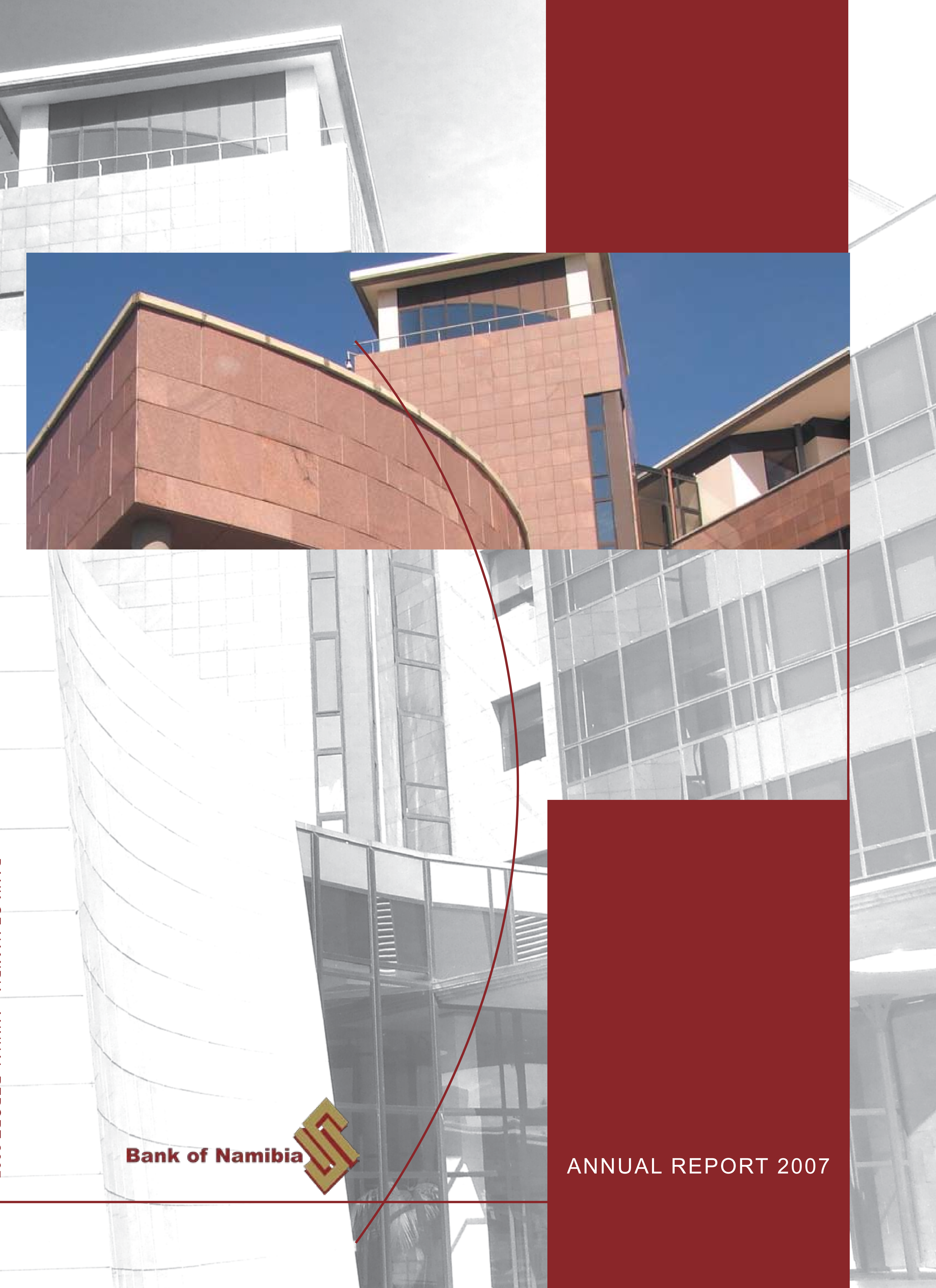


Bank of Namibia

BANK OF NAMIBIA ANNUAL REPORT 2007



Bank of Namibia

ANNUAL REPORT 2007

Bank of Namibia
Annual Report 2007

This Bank of Namibia Annual Report and the financial statements for the financial year ended 31 December 2007 are prepared pursuant to section 52(1) of the Bank of Namibia Act, 1997 (No. 15 of 1997).

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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

“Our Values guide us to be a center of excellence and we value our contribution to the organisation.

We uphold, impartiality, open communication and tranparency.

We care for each other’s well-being and value teamwork.”

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GOVERNOR'S MESSAGE

The year under review, namely January to December 2007, was quite an eventful one, with a number of challenges to deal with – the most significant of which was the Bank's response to inflationary pressure that started mounting in the latter half of 2006. Therefore, the Bank's policy focus was mainly on the performance of the economy and the monetary policy options available. This, however, did not distract the Bank's attention from carrying out its mandate pertaining to foreign reserves, banking, financial systems, payment systems, and currency.

The year 2007 started off on a fairly optimistic note, with a booming global economy and strong commodity prices impacting positively on the Namibian economic outlook. After having expanded by 4.1 percent in 2006, there was no reason to believe that the Namibian economy would not grow at the same or an even higher rate during 2007. The main threat on the horizon was inflationary pressure that started to intensify on the back of high oil and food prices, the latter as a consequence of regional droughts, the switch to bio-fuel and the generally strong demand for food produce in fast-growing developing economies. Towards the end of February 2007, the world economy got a preview of what was to come with respect to turbulence in financial markets worldwide as a result of the sub-prime mortgage market fallout in the United States of America. While the February correction of financial markets was relatively short-lived, it was only a forerunner of deeper problems to come. By August 2007, there was global consensus that the impact of the sub-prime mortgage market and the resultant liquidity crunch was much deeper and wider than anticipated. Despite international efforts to inject liquidity into the international financial system, including reduction of interest rates by the US Federal Reserve Bank, all agreed the problem was wider than anticipated. Accordingly, world output growth has been trimmed downwards by analysts, with the exception of some dynamic, fast-growing economies in emerging Asia, notably China and India.

Regarding the Namibian economy, 2007 saw a moderate slowing down of general economic activity in Namibia, although some sectors showed good fortune by taking advantage of strong growth in the world economy and buoyant commodity price developments. Other sectors, however, struggled to cope with harsh conditions, especially those depending on the elements. Economic developments in Namibia were also characterised by rising inflationary pressures in 2007. Although the impetus of inflationary pressures was more exogenous in nature, there were also signs of second-round effects, as reflected by strong increases in all components of the consumer basket. Annual inflation rose above 7.0 percent in May, but receded below 7.0 between August and November. Moreover, credit extension to the private sector expanded at a rapid pace at the beginning of 2007, suggesting excess demand. Against this background and in order to anchor inflation expectations, the Bank further tightened its monetary policy stance by increasing the Bank rate by altogether 150 basis points during the year. This came in addition to four increases of a similar magnitude, which were implemented during the final seven months of 2006. The Bank's tight monetary policy stance has had the intended impact by gradually slowing down the growth in credit extended to the private sector. This prompted the Bank, during its December monetary policy meeting, not to raise its Bank rate – in contrast to the South African Reserve Bank, which opted for an interest rate increase.

Supported by strong commodity prices and healthy receipts from the Southern African Customs Union (SACU), the external current account of Namibia's balance of payment remained in a solid surplus of 14.8 percent of gross domestic product (GDP). This also enabled the country to significantly increase its reserves holdings to three months of import coverage – more than enough to cover the country's short-term external liabilities. Our prudent approach to reserves management, coupled with favourable fiscal conditions and good investment returns, has put the Bank into this comfortable position. Namibia's fiscal policy also remained prudent during 2007, leading to a budget surplus and a significant reduction of public debt to below Government's target of 25.0 percent of GDP. Overall, therefore, the Namibian economy remains sound, although there are certain risks to the outlook, including a deeper than envisaged global slowdown and further inflationary pressures.

We continue to hone the oversight of our financial system. While oversight of the payment system enables us to detect short-term disturbances and exceptions in it, our on- and off-site supervision of banking institutions gives us a more substantive impression of the condition of the banking system. Although more needs to be done to regularly assess the stability of the non-bank financial sector, the banking sector was generally in a sound position. Given the progress made, the Bank was able to issue its second biannual Financial Stability Review.

Good progress was also made in putting into action the Basel II implementation strategy so as to meet all the requirements of the Standardised Approach of Basel II by 2009. We have further realised that Basel II needs to be built on the foundation of a sound supervisory system, which can only come about after having successfully implemented the Basel Committee on Banking Supervision's Core Principles for Effective Banking Supervision (the so-called Basel Core Principles, or BCPs). As a consequence of our efforts to become BCP-compliant, risk-based and consolidated supervision have emerged as key priorities, which we will apply alongside Basel II. The final Draft Banking Institutions Amendment Bill was also finalised during the period under review and is ready for tabling early in 2008.

The review period also saw the passing of the Financial Intelligence Act, 2007 (No. 3 of 2007), which formally passes the responsibility of combating money laundering to the Bank of Namibia. The Act further provides for the establishment of an Anti-money-laundering Advisory Council, and defines the powers and duties of the Bank to collect, assess and analyse financial intelligence data. In a proactive step, the Bank prepared for the establishment of a Financial Intelligence Centre within it by putting in place a core staff complement. Moreover, the Regulations that guide accountable institutions and supervisory bodies in the execution of their duties under the Act have been completed, and are being scrutinised by the relevant stakeholders.

The Bank continues to participate actively in regional integration initiatives. The Southern African Development Community (SADC) and continental integration and convergence targets and the actions required to achieve them remain real challenges. Not only does this necessitate serious attention from and policy debate with our policymakers, but also tough negotiations with the various regional groups.

As the outlook for the international economic environment becomes more ambiguous for 2008, we are faced with major uncertainties in external developments and in the medium-term policy outlook. Moreover, the Bank is concerned about challenging socio-economic dilemmas, including high unemployment, poverty, income inequalities, and the spread of HIV/AIDS. In its policy advisory capacity, the Bank endeavours to address these complexities through relevant research and policy approaches.

The Bank is dedicated to continuing upholding the principles of good governance to preserve the trust of Namibians in its ongoing stewardship. To attract and retain qualified and talented staff, the Bank's human resource strategy encompasses offering distinctive challenges and development opportunities, competitive total compensation, and a unique work environment. The Bank of Namibia's strong reputation and its ability to continue to succeed rely on the skills and professionalism of its entire staff. I would like to personally thank the employees of the Bank for their hard work in 2007. I am grateful for their individual and collective efforts and for their commitment to excellence.

I would also like to thank the Members of the Board for their continuing support. In particular, I wish to express my appreciation to Mr Rainer Ritter, whose term expired in 2007, for his dedicated service to the Bank and to the country. We all benefited greatly from Mr Ritter's valued contribution to the affairs of the Bank for more than ten years. At the same time, I welcome two new Board Members – Ms Ophelia Netta and Dr Nashilongo Shivute – and look forward to working with them in the years to come. Namibia's central bank will continue to be accountable to all Namibians and to fulfil its mandate to promote the economic and financial welfare of Namibia and its people.

I am equally indebted to many external institutions for valuable technical assistance provided during the year, including, but not limited to the International Monetary Fund (IMF), the World Bank, the US Treasury, and the US Federal Reserve System.

The developments highlighted here are described in greater detail in this Annual Report. I trust that each reader of this Report will find the information and material enriching and enlightening.

Tom K Alweendo
Governor
6 March 2008

PART A

OPERATIONS AND AFFAIRS OF THE BANK

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

PART A

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OPERATIONS AND AFFAIRS OF THE BANK

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THE BOARD OF THE BANK OF NAMIBIA
(AS AT 31 DECEMBER 2007)

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

Dr. O. F. C. Herrigel
Member since 1 February 1998
Current term ends 14 July 2008
(Chairperson of the Remuneration Committee)

Mr. F.G. Kisting
Member since 14 July 1998
Current term ends 14 July 2008
(Chairperson of the Audit Committee)

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

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

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

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

Bank of Namibia would like to thank Mr. R.L. Ritter for his dedicated service as Board member from September 1997 to September 2007.

HIGHLIGHTS OF THE YEAR

The Consumer Price Index (CPI) accelerated from an annual rate of 6.0 percent in January 2007 to 7.1 percent in December 2007.

The Bank of Namibia's Bank rate remained unchanged at 9.0 percent for the first five months of the year, but in the face of mounting inflationary pressure, monetary policy tightened and three rate increases were announced since June 2007 to reach 10.5 percent by the end of 2007.

The Financial Intelligence Act was passed in July, thus conferring the responsibility on the Bank of Namibia to establish a Financial Intelligence Centre.

In June, the Bank issued a Determination enforcing the processing, clearing and settlement of all Namibia Dollar-to-Namibia Dollar electronic fund transfer (NAD-to-NAD EFT) transactions to take place in Namibia by December 2007, while another Determination provided guidelines on the issue of e-money instruments.

In July, the Minimum Liquid Assets and Minimum Local Assets that banking institutions are required to hold were amended through the issue of two Determinations to that effect.

The highest-ever monthly value of over N$35 billion was settled through the Namibia Inter-bank Settlement System (NISS) during July 2007.

Newly minted 5c coins and newly printed N$10, N$20, N$50 and N$100 notes were put into circulation.

The Bank settled the one-year United States Dollar (USD) syndicated loan in August 2007 and opted not to take up any new foreign exchange-denominated loans for the time being.

The Bank started issuing Bank of Namibia Bills to local banking institutions as a way of assisting them to meet local and liquid investment requirements in the face of a lack of prescribed instruments in the market.

In July, foreign exchange reserves reached an all-time high of N$7.2 billion.

FUNCTIONS AND OBJECTIVES OF THE BANK

In terms of section 3 of the Bank of Namibia Act, the Bank is obliged to meet the following statutory objectives:

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

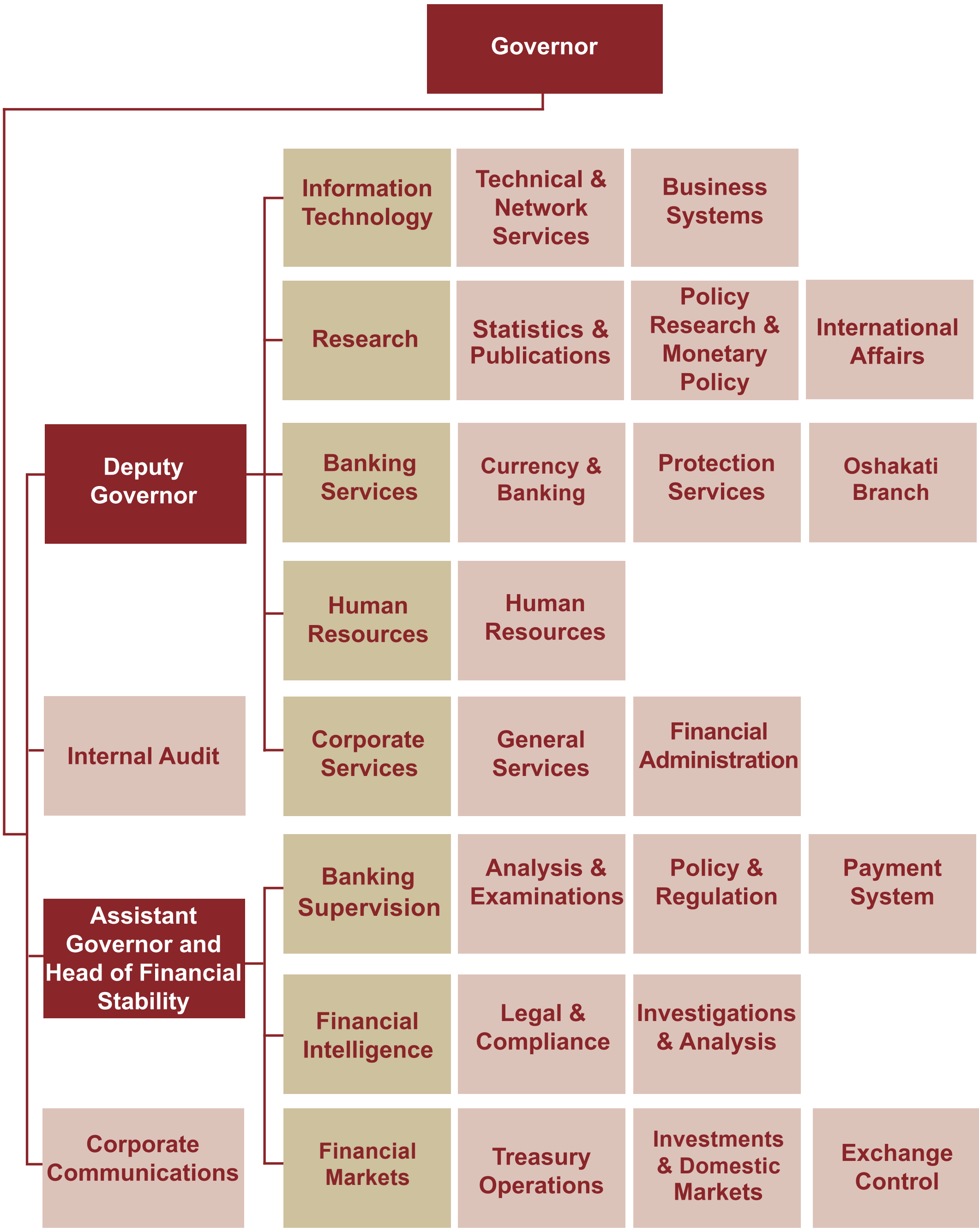
To assist in the attainment of national economic goals.

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

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

THE BANK'S ORGANISATIONAL STRUCTURE

Bank of Namibia - Management Stucture
31 December 2007



THE BANK'S MANAGEMENT TEAM

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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. J van der Merwe
Director of IT

Dr. J Steytler
Director of Research

Ms. L Namoloh
Director of Banking Services

Mr. M Mukete
Director of Financial Markets

Mr. L Matthews
Director of Banking Supervision

Ms. L Dunn
Director of Financial Intelligence

Ms. H Badenhorst
Head of Corporate Communications

Mr. H Theodore
Chief Internal Auditor

GOVERNANCE, ACCOUNTABILITY AND COMMUNICATION

AUTHORITY AND ACCOUNTABILITY

The Bank of Namibia is wholly owned by the Government of the Republic of Namibia. The Bank was created under Article 32(4)(b) of the Constitution of the Republic of Namibia and its mandatory functions are spelled out in the Bank of Namibia Act. 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, the Bank administers five other laws, namely:

- the Currency and Exchanges Act, 1933 (No. 9 of 1933)
- the Prevention of Counterfeiting of Currency Act, 1965 (No. 16 of 1965)
- 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).

These Acts combined give the Bank considerable policy and regulatory authority, and with that authority comes complex and numerous responsibilities.

In addition to these national laws, the Bank is also 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 IMF, and the World Trade Organisation (WTO).

The financial relationships between the Government and the Bank are contained 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 also 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 Corporate Charter. The Corporate Charter, which is presented on page 3, 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 BOARD

The Bank of Namibia has a Board, the membership of which is shown on page 10. The Board 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 Executive Members, while the Permanent Secretary of Finance (who is the only ex officio member), one staff member from the Public Service, and four other persons constitute the 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 2007, there was one vacancy on the Board.

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. 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 the evaluation of 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.

Two 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. However, there was a vacancy of one member during the review period.

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

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.

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.

The Bank's monthly Balance Sheet is also submitted to the Minister, and is published once a month in the Government Gazette.

While the Governor is not obliged to appear before any Parliamentary Committee, the Bank does initiate regular briefings and consultations with appropriate Select Committees on a variety of policy-related subjects.

MANAGEMENT STRUCTURE

The Bank's senior management team is made up of the Governor, a Deputy Governor, an Assistant Governor, and the heads of the Bank's various departments, as outlined on page 13. The positions of Governor and Deputy Governor are required by statute, while that of Assistant Governor is not required by statute.

The Bank's has two main committees, namely Executive Committee (EC) and Management Committee (MC). The 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 policy issues that have 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 allowed 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 Deputy Governor and attended by the Assistant Governor, all Directors, the Chief Internal Auditor, and the Head of Corporate Communications. The MC meets every two weeks and focuses on the Bank's internal policies and operations, including risk management.

COMMUNICATION

The Bank deems it important to ensure that there is 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 also increases the effectiveness of monetary and other policy decisions. Accordingly, the Bank has an extensive programme of communication.

After each monetary policy decision by the Bank, a media statement is issued to convey a brief account of the state of the economy, the inflation outlook and an explanation of the Bank's monetary policy decision. The intention is to publish a more extensive analysis in the *Monetary Policy Review and Inflation Report* on a biannual basis.

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.

To a large extent, the Bank's success depends on individuals or groups whose behaviour impacts on the performance of the Bank. Conversely, the

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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, as well as 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 the Bank's staff members.

THE BANK OF NAMIBIA'S NINTH ANNUAL SYMPOSIUM-

"Broad-based Economic Empowerment: Experiences from other countries"[1]

Namibia is currently in the process of implementing the Black Economic Empowerment (BEE) policy known as the Transformational Economic and Social Empowerment Framework (TESEF). Accordingly, the Ninth Annual Symposium of the Bank of Namibia, which was opened by the Rt Hon. Prime Minister, Nahas Angula, focused on the theme, "Broad-based Economic Empowerment: Experiences from other countries". The objective was to review and document lessons from other developing countries, especially South Africa and Malaysia, which have implemented empowerment policies.

The Symposium delegates were addressed by international experts from Norway, South Africa and the United States of America. As an appetiser to the Symposium, in conjunction with the support of the World Bank and the Polytechnic of Namibia, the Bank of Namibia held a public lecture on the theoretical costs and benefits of BEE. The speaker, Professor James Robinson of Harvard University, stated that the political system of apartheid created a number of distortions in the South African and Namibia economies, leading to the sub-optimal allocation of resources. These distortions could potentially be redressed through the implementation of BEE policies. However, he cautioned that, at the firm level, there was no empirical evidence that BEE would lead to accelerated economic growth.

Dr Just Faaland of the Christian Michelsen Institute in Norway outlined various strategies that Namibia should adopt in order to promote broad-based BEE. He noted that Namibia needs a general guideline for BEE, and not a detailed regulation of industry sectors and enterprises. Dr Faaland further cautioned that "[p]olicies for black empowerment will come to naught if the machinery and practices are not in place to closely and regularly oversee empowerment implementation" He also noted that central targets for black empowerment should not be ambitious, but realistic.

Also addressing the Symposium, Prof. Rodger Southall of the University of the Witwatersrand provided an overview of BEE in South Africa and offered lessons for Namibia. Prof. Southall argued that "BEE, or some policy like it, has been historically necessary to overcome the legacy of international decolonization in South Africa". He noted that, if Namibia had to draw lessons from the South African experience, it would be crucial for BEE to be seen as a political project that did not offer a universally accepted definition of its content. He pointed out that, whether narrow or broad, any definition of BEE would involve problems of operationalisation. Prof. Southall underscored the importance of Government negotiating overarching and sectoral codes with relevant stakeholders such as business associations and organised labour.

[1] For details on all the presentations and symposium papers, see Bank of Namibia, 2006, 9th Annual Symposium Publication 2007, edited by the Research Department

In order to regularly supply the public with quality information and advice about the state of Namibia's economy, the Bank's relationship with the media cannot be underestimated. During the year under review the Bank hosted an Economic Reporting Workshop for journalists, which was aimed at increasing practitioners' knowledge about economic concepts and their interpretation. An annual year-end media event was also hosted to demonstrate the Bank's appreciation for the media's support during the year under review.

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 has determined appropriate strategies for each such objective. In reviewing the activities during 2007 in this report, these seven strategic objectives are highlighted, along with the initiatives and strategies associated with them.

FINANCIAL SYSTEM STABILITY

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STRATEGIC PLAN 2007–2011

Strategic objectives

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

Initiatives and strategies

Establish a fully functional early-warning system and crisis management mechanism.

Comply with international banking supervision standards.

Comply with important payment system standards.

Establish a fully operational Financial Intelligence Centre, equipped with systems that will allow it to carry out its mandate in line with the Financial Intelligence Act and international best practices.

Provide sufficient quality, quantity and security of currency to meet the demand of the economy.

Regularly assess the stability of the financial sector and publish a report on the stability of the financial sector every six months.

The ability to ensure financial stability, through fostering a safe and efficient financial system, directly promotes people's economic and financial welfare. Against this background, the Bank is placing increasing emphasis on 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 and Combating of Financing of Terrorism (AML/CFT) practices.

FINANCIAL STABILITY

During the year under review, the Bank issued two Financial Stability Reviews, the first of which was contained in the 2006 Annual Report published a year ago. The reviews are aimed at exposing potential risks to and the vulnerabilities of the financial system, and creating awareness about possible financial stability concerns and mitigating measures. The reviews not only assess pertinent international, regional and domestic developments, but also highlight a number of regulatory issues that have taken effect or are being considered. The latest review focused on the recent global financial market turmoil that was attributed to fallout from the US housing market crisis and on the potential consequences for Namibia.

The main conclusion reached in both assessments was that financial stability in Namibia did not appear to be under any foreseeable threats in respect of the performance or efficiency of the financial system. However, more needs to be done in terms of quality assessments, particularly as far as the non-banking financial sector is concerned.

BANKING SUPERVISION

Considerable strides were made in accelerating key projects in banking supervision. The Bank reviewed its Basel II implementation plans and looked at the implementation strategies employed by other countries. It became clear that a number of areas needed improvement in order to be compliant with the BCPs. It was decided, therefore, that achieving BCP compliance should precede Basel II implementation or run parallel to it during initial implementation.

In becoming BCP-compliant, the Bank and the Namibia Financial Institutions Supervisory Authority (NAMFISA), the financial sector and other relevant stakeholders have engaged in an ongoing dialogue in order to successfully implement Basel II by 2009.

A risk-based supervision approach was already adopted, but the introduction of consolidated supervision requires significant changes to our statutes. Thus, an appropriate Bill to amend the Banking Institutions Act was drafted and will be tabled in 2008. These amendments are intended, amongst other things, to mandate the Bank to conduct a consolidated supervision of Namibian banking groups, including providing for the registration and deregistration of the controlling companies of banking institutions.

More particulars regarding supervisory developments and the performance of the banking industry in Namibia are provided in Part D of this Annual Report.

PAYMENT SYSTEMS OVERSIGHT

Payment systems oversight is regarded as a central bank task, principally intended to promote the smooth functioning of payment systems and to protect the financial system from possible ‘domino effects’ that might occur when one or more participants in the payment system incur credit or liquidity problems. Payment systems oversight aims at a given system, e.g. a funds transfer system, rather than at individual participants. This section provides an overview of the Bank’s assessment of payment system risks experienced in Namibia, together with a summary of the Bank’s activities aimed at promoting a safe and efficient national payment system.

The Bank issued a Directive and Determination in terms of the Payment System Management Act. The purpose of the Directive relates to EFT payments, and aims to notify all companies and contravening parties routing Namibia Dollar transactions through the South African clearing house (Bankserv) to effect and implement the necessary system changes for the submission of all Namibian domestic EFT transactions via a Namibian banking institution for clearing in the Namibian Payment Clearing House (Namclear[2]) prior to final settlement in the NISS.

Similarly, the Bank issued a Determination concerning the issuance of payment instruments. The purpose of this Determination is to ensure that no entity issues a payment instrument in Namibia without adhering to the standards and requirements prescribed by the Bank prior to receiving the Bank’s authorisation to do so. A further benefit is that the Determination also enables the Bank to collect statistics relating to the type, distribution, volumes and values of payment instruments, which will assist in its payment system oversight function.

The Bank has taken a keen interest in and is closely monitoring the activities of payment service providers, payment collectors, and payment facilitators in the national payment system. The proliferation of non-bank financial intermediaries operating outside the regulatory framework has the potential to undermine the stability and integrity of the national payments system, if there are weaknesses in the regulatory framework that prevent the proper control of payment system service providers and non-financial intermediaries.

The Payments Association of Namibia (PAN) has successfully completed the assessment of Smartswitch Namibia in line with set entry criteria, and granted Smartswitch Namibia authorisation in terms of section 3(6)(a) of the Payment System Management Act to operate as a payment service provider. Similarly, it finalised the assessment of Namclear and RealPay[3] as payment system service providers. Before that, Namclear operated under an authorisation provided by the Bank in 2004.

Operational vulnerabilities contribute various risks to payment systems, and may lead to disruptions that not only affect the stability of financial markets, but also undermine public confidence. As part of its core activities, therefore, the Bank continues to emphasise operational robustness, security, timeliness and contingency planning for systemically important payment systems, coupled with the ongoing requirement to localise core banking systems to satisfy the country’s needs. Consistent with the Bank’s core role, the availability of the NISS, Real-time Gross Settlement System, and Namclear retail payment systems remained very high for 2007, and is broadly in line with those reported for large value and retail payment systems in other countries. The overall assessment is that the systems comprising the national payment system in Namibia have performed satisfactorily in 2007.

[2] Namclear is a company established by the four commercial banks to operate as a payment system service provider responsible for clearing all domestic transactions.

[3] RealPay is as an “alternative payment solution provider” whose solution is designed to be utilised by microlenders in an endeavour to dispense with the practice of microlenders retaining clients’ automatic teller machine (ATM) cards and associated personal identification number (PIN).

FINANCIAL INTELLIGENCE

In October 2006, a de facto Financial Intelligence Centre was established within the Bank of Namibia. The year 2007 was regarded as a year of 'institutionalising' this Centre. The Bank appointed two professionals to fill the posts of Director and Deputy Director, respectively, and is in the process of completing the recruitment of supporting staff. 1 July 2008 is earmarked as the day on which the Centre will open its doors for suspicious transaction reporting from accountable institutions and supervisory bodies.

On 20 July 2007, the Financial Intelligence Act was passed in Parliament. The Act deals with money laundering control measures within the Republic of Namibia, and states its purpose as follows:

To provide for the combating of money laundering and to establish an Anti-Money Laundering Advisory Council; to provide the Bank of Namibia with the necessary powers to collect, assess and analyse financial intelligence data, which may lead or relate to money laundering; to impose certain duties on institutions which, and other persons who, may be used for money laundering; and to provide for incidental matters.

In achieving its goals, the Bank hosted a workshop with representatives from accountable institutions and supervisory bodies in October 2007, to debate the Regulations supporting the Act and obtain inputs and comments from a team of experts. The Regulations were then drafted and disseminated to key stakeholders, and their comments were received in January 2008.

The Bank intends having the Regulations finalised for dissemination to the Legal Drafters before the end of January 2008, and tabled for discussion before the Anti-money Laundering Advisory Council and the Minister of Finance. As soon as the Regulations are scrutinized, the FI-Act and the Regulations will be made effective, which will affirm that the FIC is official activated. At that stage, all accountable institutions will be obliged to report suspicious transactions to the FIC, which may lead to possible prosecution of cases of money laundering.

Table A.1 reflects the revenue and expenditure of the operations of the FIC during the year under review. The fact that the contribution received from Government was by far not fully utilised is attributed to the delay in the finalisation of the FI-Act.

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Table A.1 - Financial intelligence centre

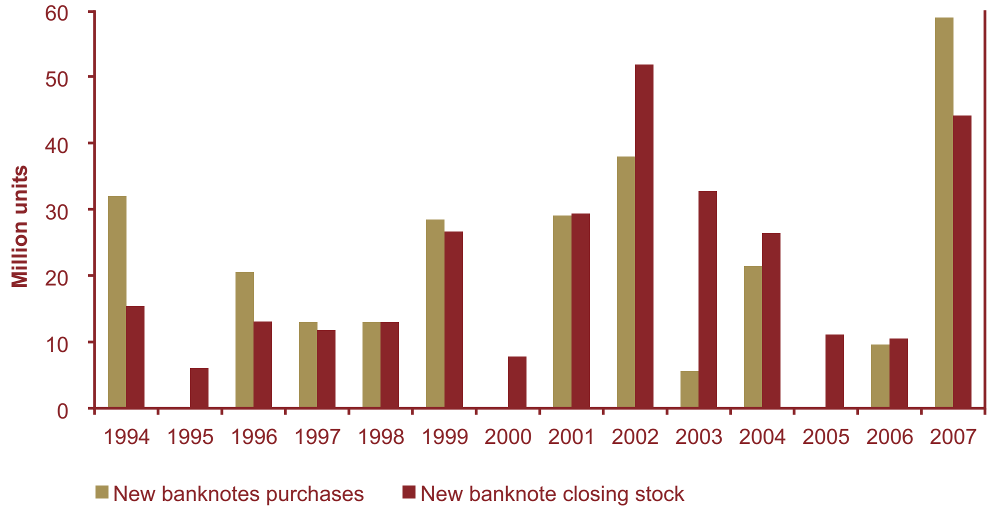
Income and expenditure as at 31 December 2007	N$
Government grant - FIC funding	5,660,000
Total revenue	**5,660,000**
Operating expenditure	1,325,241
Capital expenditure	456,347
Total expenditure	**1,781,588**
Surplus/(deficit) for the year	**3,878,412**

CURRENCY OPERATIONS

One of the core functions of the Bank 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 sufficient quantity, acceptable quality, and security of the national currency. During the year under review, the Bank took possession of reprinted N$10, N$20, N$50 and N$100 banknotes. With these consignments, the uncomfortable situation of inadequate currency stock and poor quality that prevailed during 2006 and at the beginning of 2007 came to an end.

All the banknote supplies that were put into circulation were printed in accordance with the Bank's recently developed banknote procurement policy. This policy is aimed at securing superior quality banknotes by prescribing detailed specifications and requiring rigorous quality control standards for the raw material and during the printing processes. In addition, the Bank took a conscious decision to require banknote printers to apply a varnish to all new banknote reprints. The water-based varnish that serves as a protective coating is likely to reduce wear and tear during banknote circulation. The Bank hopes to ensure a better quality and appearance of banknotes, while trying to prolong the lifespan of the average note. Chart A.1 reflects the number of new banknotes held in stock and purchased between 1994 and 2007, which confirms that, up to 2006, the stock of new notes was critically reduced, and that the new stock purchased in 2007 normalised the situation again.

Chart A.1: New banknotes purchased and held in stock



Even though the quality of the banknotes has improved, especially as a result of fresh supplies, there are still some soiled, faded or mutilated notes in circulation. In conjunction with commercial banks, the Bank of Namibia is working very hard to withdraw such notes from circulation. This process takes a while because such notes tend to continue circulating before reaching the Bank. During the year under review, the Bank commissioned its third high-speed banknote processing machine, which is intended to offsort fit and super-fit banknotes from banknote deposits by commercial banks for reissue into the market.

The Bank also had to replenish its 5c coins as part of its currency replenishment programme. The old stock had lasted five years and had been projected to run out at the beginning of 2007.

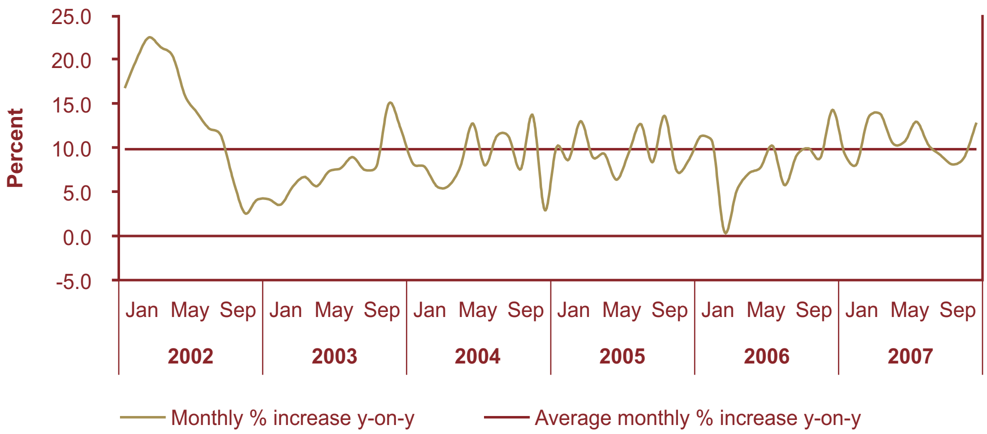
The respective value and volume of banknotes in circulation at the end of 2006 and 2007 are shown in Table A.2.

Table A.2: Composition of currency in circulation (outside the Bank of Namibia) at year end

Denomination	2006		2007		percent value change
	Value (N$ m)	Volume (million)	Value (N$ m)	Volume (million)	
5c coin	3.44	68.71	3.86	77.15	12.3
10c coin	6.44	64.37	7.17	71.67	11.3
50c coin	6.37	12.73	6.97	13.94	9.5
N$1 coin	39.51	39.51	44.95	44.95	13.8
N$5 coin	22.67	4.53	25.10	5.02	10.7
All coins	**78.43**	**189.85**	**88.05**	**212.73**	**12.3**
N$10 note	38.91	3.89	55.85	5.59	43.5
N$20 note	90.78	4.54	97.19	4.86	7.1
N$50 note	139.05	2.78	161.09	3.22	15.8
N$100 note	716.23	7.16	805.37	8.05	12.4
N$200 note	109.96	0.55	116.20	0.58	5.7
All notes	**1,094.93**	**18.92**	**1,235.70**	**22.30**	**12.9**
TOTAL	**1,173.36**	**208.77**	**1,323.75**	**235.03**	**12.8**

The annual growth in the value of currency in circulation outside the central bank slowed down from 14.3 percent at the end of 2006 to 12.8 percent at the end of 2007. In relation to GDP, however, the currency in circulation accelerated moderately from 2.28 percent in 2006 to an estimated 2.4 percent in 2007. Chart A.2 depicts the year-on-year (y-o-y) change in monthly currency in circulation since 2002.

Chart A.2: Annual percentage change in currency in circulation



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In terms of volumes, the growth in the number of notes and coins in circulation rose from 9.4 percent in 2006 to 12.6 percent in 2007. At the end of 2007, the number of coins rose to 212.7 million pieces from 189.9 the previous year, while the number of notes rose to 22.3 million pieces from 18.9 million pieces at the end of 2006. All denominations increased their circulation, while a particularly strong increase was recorded in the circulation of the N$10 note. The almost 44.0 percent increase in the circulation of the N$10 banknote is ascribed to a general shortage of the banknote that prevailed since 2004.

The N$100 note remains the most popular, with a circulation of more than 8 million notes: 36.0 percent of the volume and 65 percent of the value of all circulating notes. The 5c coin is the highest circulating coin with 77.15 million pieces: 36.0 percent of the volume and 4.4 percent of the value of all circulating coins at the end 2007.

The Bank is required to repatriate the South African Rand to South Africa in accordance with the Bilateral Monetary Agreement. Rand notes continue to come into circulation in Namibia mainly as a result of vigorous exports to Angola and growing tourism traffic from South Africa. However, the Rand currency that enters the country is rapidly absorbed by banking institutions and then repatriated by the Bank of Namibia.

Table A.3: Rand repatriation and Namibia Dollars in circulation

Calendar year	Value of Rand repatriated		Increase in value of N$ in circulation	
	R million	percent change	N$ million	percent change in stock
2001	240.0	19.9	126.8	19.2
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

Table A.3 clearly illustrates the rather dramatic increase in the value of Rand repatriated over the last five years. During 2007, the Bank repatriated more than R1.1 billion to South Africa, which is 50 percent more that the amount repatriated in 2006. The repatriation of Rand banknotes to South Africa contributed directly to the strong rise in the country's foreign reserves during the year under review. Table A.3 also shows that the increase in the value of Namibia Dollar currency in circulation is less than the value of Rand notes repatriated. The higher growth in Rand repatriation relative to Namibia Dollars in circulation signifies the sharp increase in export of goods and services (funded by Rand), compared with the increase in domestic trade (funded by Namibia Dollars).

Counterfeiting of Namibia Dollar banknotes remains sporadic rather than chronic. During the year under review, 83 forged notes were either detected by or submitted to the Bank, compared with 70 in 2006.

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MONETARY POLICY FORMULATION AND STANCE DURING THE YEAR

STRATEGIC PLAN 2007–2011

Strategic objectives

Ensure price stability by maintaining single-digit inflation.

Initiatives and strategies

Maintain a comprehensive database to enable the Bank to monitor economic developments that inform the formulation and implementation of monetary policy.

Regularly evaluate if the monetary policy stance is aligned to the maintenance of the currency peg and take remedial actions where necessary.

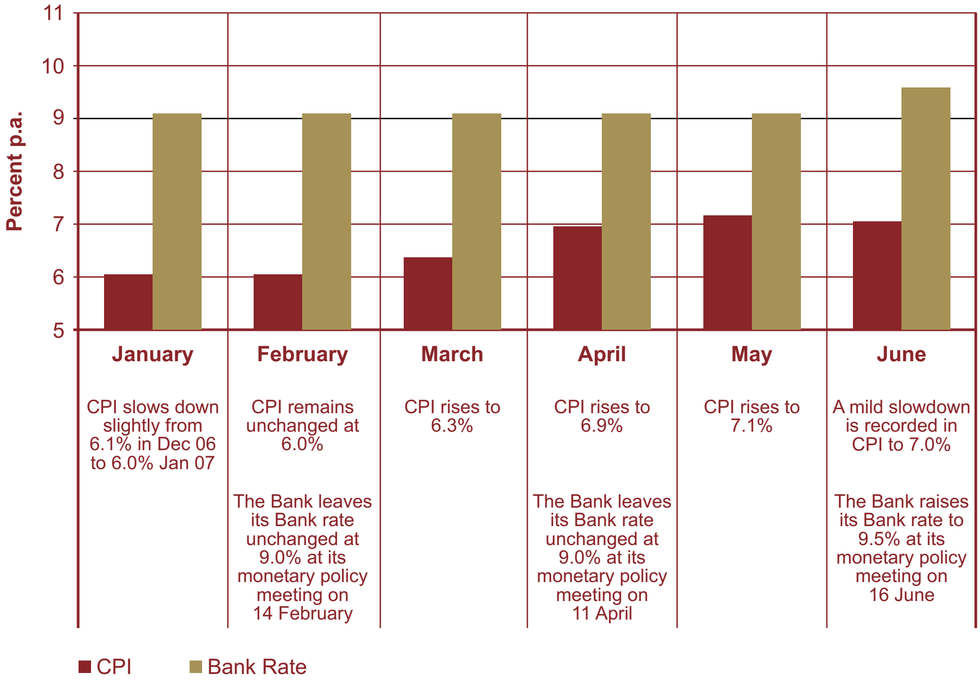
The EC is responsible for the formulation of monetary policy. In their decision they are guided by the Bank's mandate to safeguard price stability in the interest of sustained growth and development, and its strategic objective that defines price stability as single-digit inflation. The EC meets six times a year to decide on the appropriate stance of monetary policies. These meetings are closely tied to the meetings of the South African Reserve Bank Monetary Policy Committee. When formulating the appropriate stance of monetary policy the EC predominantly considers the local economic conditions. The main tool that the EC uses to influence policy is the Bank rate. For instance, when there are indications of excess demand and rising inflationary pressures, the EC might increase the Bank rate to dampen domestic demand and bring prices on a sustainable path. The EC also considers external factors in its decision-making process, such as the global economic outlook, and oil and commodity price developments. Given the CMA arrangement, the EC pays special attention to developments in the South African economy and decisions taken by the South African authorities. Interest rate structures need to be harmonised with South Africa's as far as possible, as significant divergences could trigger capital outflows to the much deeper South African financial markets in the context of a free flow of capital within the CMA. However, interest rate differentials between Namibia and South Africa may occur on a limited basis if there are compelling reasons for this, such as differences in the liquidity or credit situation between the two countries.

The year under review was characterised by inflationary pressures worldwide. In Namibia, the annual rate of inflation increased from 6.0 percent in January to 7.2 percent in July, before it moderated somewhat to 7.1 percent by the end of the year. Mainly responsible for this increase was food and fuel price inflation, which increased sharply during 2007. While the main drivers of inflation were exogenous, there were also signs of excess demand. For instance, the annual growth rate of private sector credit expanded at a brisk rate of close to 20.0 percent in 2005 and 2006. To counter inflationary pressures, the Bank of Namibia increased the Bank rate by 150 basis points to 10.50 percent. This follows a 200 basis points increase during the preceding year, which brought the Bank rate to its highest level in four years. Accordingly, commercial banks increased their lending rates by the same magnitude during the period under review.

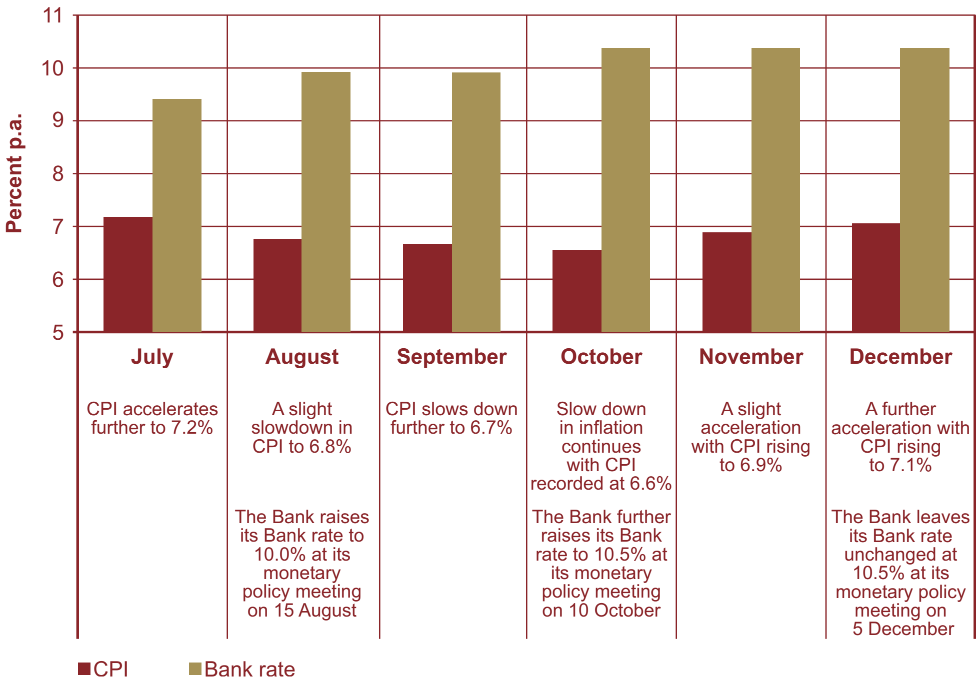
A tighter monetary policy stance is sometimes necessary to ensure price stability in the interest of sustained growth and the protection of the real disposable income of all Namibians. Towards the end of the year there were encouraging signs that the initial excessive domestic demand conditions had started to abate, as reflected in the sideward movement of the inflation rate, and a slowdown in credit growth and vehicle sales. While the Bank rate has been on par with the South African repo rate for many years, at its December 2007 meeting the EC took a neutral monetary policy stance compared with South Africa's tightening policy stance – although this is not the first time that two countries have differed in this respect. The ensuing interest rate differential underscores the importance that the EC attaches to local economic conditions in its decision-making. Nevertheless, the Bank remains concerned about the medium-term inflation outlook, which to a large extent is determined by exogenous factors such as oil and food price movements. In this context, the Bank is prepared to further tighten policy should monetary conditions so demand.

CHRONOLOGY OF MONETARY POLICY DURING 2007

Monetary policy and monetary conditions - Januray to June 2007



Monetary policy and monetary conditions - July to December 2007



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CONTRIBUTION TO POLICY FORMULATION

STRATEGIC PLAN 2007–2011

Strategic objectives

Contribute to national economic policy making by providing acceptable policy advice.

Initiatives and strategies

Carry out relevant research to enhance the Bank's ability to understand and influence economic policy decisions at an international level, regional level, and national level, supportive of achieving national economic development goals.

POLICY RESEARCH AND ADVICE

The Bank of Namibia acts as the principal advisor to the Ministry of Finance on fiscal matters. In addition, the policy research carried out by the Bank is aimed at supporting the attainment of national development plans, such as Vision 2030 and the Third National Development Plan (NDP3). In addition to the regular policy advice to the Ministry of Finance in the context of the formulation of the macroeconomic framework for the national budget, research staff actively participated in the formulation of NDP3. In this context, the Bank was tasked to coordinate thematic themes dealing with increased and sustained economic growth, and deepening of the financial sector. Research staff also participated in other thematic working groups, such as those dealing with regional integration. With respect to regional integration, the Bank continues to be a regular member of the National Trade Negotiation Task Team, and actively participated in the negotiation with the European Union on Economic Partnership Agreements (EPAs). As part of its policy research function, during the year under review the Bank released a working paper titled "Assessing the potential of manufacturing in Namibia", while another working paper titled "Unleashing the potential of the agricultural sector" will be officially released in 2008. Both papers concluded that there was significant scope for further developing the manufacturing and agricultural sectors in Namibia.

The Bank also conducted studies on how to deepen the financial sector. In this context the Bank played an active role in the Steering Committee of the Financial Sector Charter and did some background research on transformation in the sector that proved invaluable during the setting targets for such transformation. Furthermore, the Bank conducted a study on the feasibility of leasing and factoring as instruments for small- and medium-scale enterprise (SME) financing. The study found that there was a demand for both products. In the coming year, the Bank will conduct a study on securitisation of housing loans in an effort to promote financial sector deepening. Other issues that the Bank looked at in 2007 include the impact of HIV/AIDS on the Namibian banking sector, establishing a public investment house for Namibia, and whether fiscal policy in Namibia was supportive of growth and poverty reduction.

INTERNATIONAL FINANCIAL COOPERATION

On the regional front, the Bank continued to interact with regional institutions, especially other central banks within SADC and on the rest of the African continent, with a view to promote financial and monetary integration. Similarly, the Bank interacted with international financial institutions such as the IMF and the World Bank as regards financial cooperation. This section reflects on such interaction and cooperation during the period under review.

The CMA remains the pillar of Namibia's monetary and exchange rate policy arrangement. During the period under review, Governors of CMA central banks met frequently to exchange views on recent economic and financial developments in their respective countries. The meeting of Governors is in line with Article 8(1) of the Multilateral Monetary Agreement, which stipulates that member countries –

… shall hold regular consultations with a view to reconciling their respective interests in the formulation, modification and implementation of the monetary and foreign exchange policies.

The exchange of economic information between the Governors of CMA central banks helps to enhance the understanding of economic conditions within the CMA.

During the year under review, the Bank remained quite active with agendas emanating from SADC and SACU. Work continued on the transformation of SADC into a free trade area and customs union. Furthermore, a Protocol on Services was drafted. The Protocol aims at the progressive liberalisation of intra-regional trade in services through the elimination of all discrimination between member states, and the creation of a single market for trade in services within the SADC region.

On the regional integration front, the Bank and the Ministry of Finance were actively involved in implementing some of the milestones set out in the Regional Indicative Strategic Development Plan (RISDP). With regard to exchange control in particular, the SADC Exchange Control Committee was formed in 2007. Serving on this Committee were one representative each from the central bank and ministry responsible for finance and investments in each SADC member state. The Committee's mandate is to facilitate the cooperation and coordination of exchange control policies in order to achieve convergence and full currency convertibility. In this connection, the framework for exchange control liberalisation within member states was drafted in line with the RISDP, which sets the time-specific targets of regional integration. Parallel to the efforts of harmonising exchange control policies within SADC, the Bank's exchange control policies continued to be aligned with those of other CMA members.

With regard to SACU, the Bank participated in SACU meetings and provided technical support with respect to issues of revenue from the SACU pool. It is important to note that the SACU pool will remain a significant source of revenue and reserves for the foreseeable future. At the same time, Government is advised to diversify its revenue base.

During the period under review, two meetings of the Association of African Central Banks (AACB) Bureau were held. The Assembly of Governors of the AACB held its 31st ordinary meeting in Tripoli on 15 August 2007. The deliberations focused mainly on the implementation of the African Monetary Cooperation Programme and the issue of cooperation between the African Union Commission (AUC) and the AACB with regard to the strategies for the establishment of pan-African financial institutions, namely the Investment Bank, the African Monetary Fund, and the African Central Bank. The AUC and AACB are yet to agree on a common approach in respect of the establishment of these institutions – especially the African Central Bank.

During the period under review, the Committee of Central Bank Governors in SADC carried out a number of activities. These included further work on the harmonisation of the legal and operation frameworks of central banks in SADC. For this purpose, a Model Central Bank Bill was drafted and aims at serving as a guide to central bank legislation in all SADC countries. In a nutshell, it provides key elements and principles to be contained in individual central bank legislation, taking into account international best practice and peculiar regional, socio-economic, legal and other related factors. A Green Book, an addendum to the Bill, was also finalised. Other activities included the compilation of an integrated paper on regional economic developments. Essentially, this paper serves as an assessment tool on the progress made towards the realisation of macroeconomic convergence targets as preconditions for monetary integration in the SADC region. Briefly, the targets 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. This paper is available to the public and is published on the SADC Bankers website.

During 2007, the Bank participated in the usual annual meetings of the IMF and World Bank held in Washington, DC, where various issues including the voice and representation of developing countries were discussed. The Bank participated in Article IV consultations with the IMF mission, and provided up-to-date information on the state of Namibia's economy as well as its key macroeconomic policy developments. The Bank further identified and submitted proposed areas of technical assistance and cooperation to the IMF for 2008. Among others, the areas of assistance entail financial market developments, implementation of Basel II, inflation forecasting, improving financial sector supervision, and enhancing the effectiveness of monetary policy.

With regard to the World Bank, the Bank participated actively in providing information to the country team in preparation for the country economic report. It also participated in a workshop held in Windhoek in October 2007 on key aspects of World Bank operations and products, and discussed business plans. The Bank identified the principal areas of cooperation with the World Bank to be the provision of technical assistance in developing the financial sector and researching economic growth, assessing the impact of HIV/AIDS on the financial sector, and training in the area of macroeconomic modelling and forecasting.

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FOREIGN EXCHANGE RESERVES

STRATEGIC PLAN 2007–2011

Strategic objectives

Manage reserves prudently such that the returns are in line with the agreed benchmark.

Initiatives and strategies

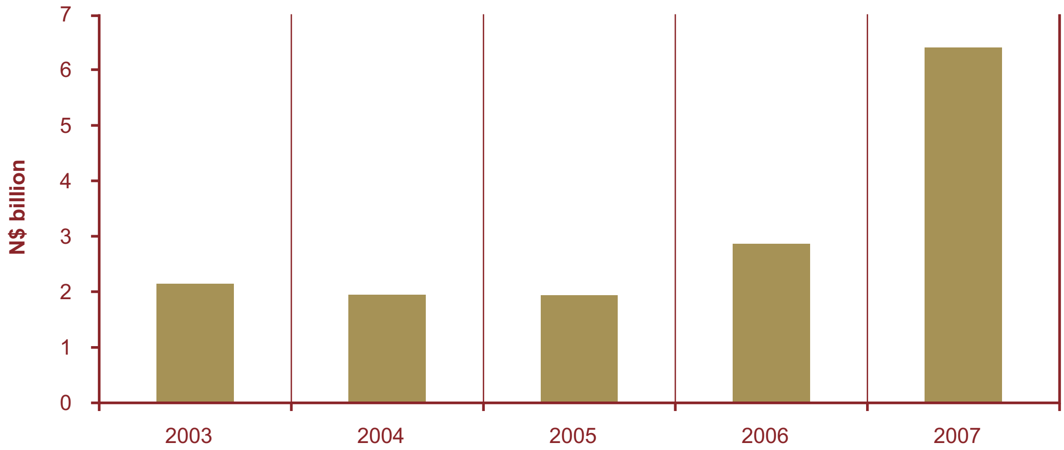
Develop the necessary skills to manage reserves prudently and optimally, and to ensure that appropriate investment policies and guidelines are in place and adhered to.

Monitor domestic and international market developments to determine their impact on reserve levels, and take remedial action in the event of reserve inadequacy.

Manage a portfolio of debt securities and carry out open-market operations with a view to protecting the level of foreign exchange reserves.

The year under review saw the level of reserves rising to reach all-time highs. Reserves increased by 120.0 percent during the year: from N$2.94 billion at the end of December 2006 to N$6.46 billion by the end of December 2007 (Chart A.3). This level represented 3.2 months of import cover, up from 1.7 months at the end of 2006. For the first time, the level of reserves rose above the international benchmark of 3 months of import cover.

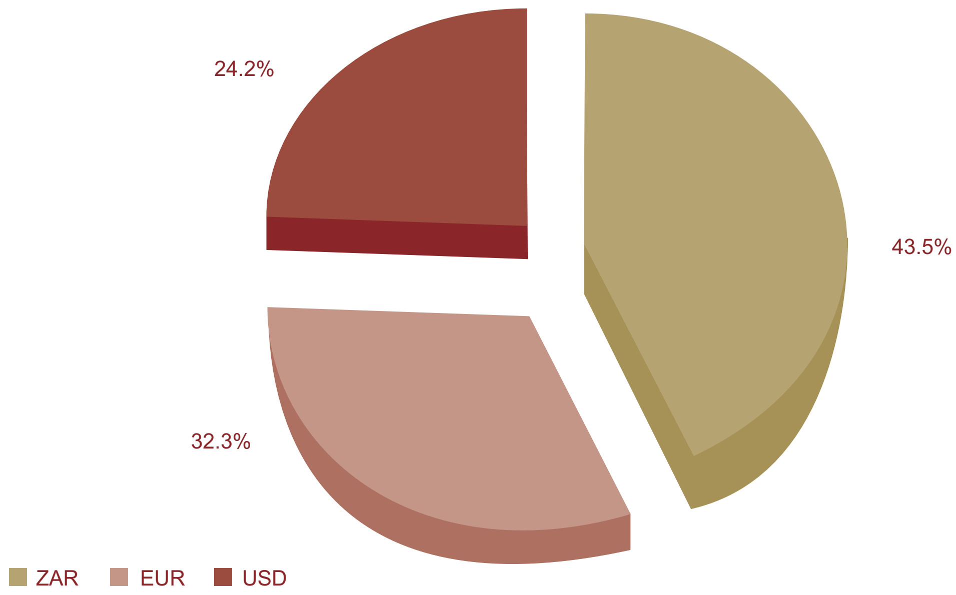
Chart A.3: Official foreign exchange reserve stock



SACU revenue adjustments received over the year explain a great proportion of the increase. Other contributing factors to the rise in reserves were Rand notes repatriated to South Africa and Rand inflows associated with the issuance of the Bank of Namibia Bill (see later in this report). The currency mix of the reserves – namely Euro (EUR), US Dollar (USD) and South African Rand (ZAR) – remained unchanged in 2007. The currency distribution of reserves as at the end of 2007 is indicated Chart A.4.

The investment benchmarks for the three currencies were unchanged at cash for ZAR, and short-duration fixed income of less than one year for the EUR and USD portfolios.

Chart A.4: Currency mix of foreign exchange reserves as at 31 December 2007



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With the marked increase in foreign exchange reserves, investment benchmarks will be reviewed in order to identify a more rewarding risk–return profile. In this regard, the Bank joined the World Bank's Reserves Advisory and Management Program in an effort to build capacity in reserves management. The syndicated loan of $50 million raised during 2006 as a means of creating a credit record for the Bank, should there be a need for contingency borrowing, matured over the year and was repaid. The objective of creating the Bank's positive credit history in the markets was achieved as the loan was successfully repaid.

SERVICE DELIVERY AND STAKEHOLDER RELATIONS

A

STRATEGIC PLAN 2007–2011

Strategic objectives
Maintain a positive reputation through efficient service delivery and sound stakeholder relations.

Initiatives and strategies
Render efficient and cost-effective services to the satisfaction of the Bank's customers.
Maintain a public education programme so as to inform the public about the Bank's role and related areas with regard to financial literacy.

Strengthen corporate social responsibility with a view to remaining a good corporate citizen.
Regularly monitor the public perception of the Bank and its operations, and take remedial action, if required.

Promote industrial harmony through strict compliance with the provisions of labour legislation and through effective internal communication.

Subscribe to good corporate governance practices to uphold transparency and accountability to its stakeholders.

Maintain constructive relationships with stakeholders, and continue to expand the Bank's networking and outreach programmes.

BANKING SERVICES

The Bank is responsible for providing typical banking services to Government for the State Account as well as certain donor accounts. This includes the processing of domestic money transfers through NISS (424 in total for 2007) and foreign transfers through SWIFT (900 in total for 2007). The Bank also clears special presentations (also called special clearance) of State Account cheques where the holder wishes to have immediate credit (3,036 in total for 2007). All cash and cheque payment to Government are deposited at the Bank of Namibia. All cheques deposited at the Bank for credit of the State Account are then forwarded to Namclear. Government cheques issued by Government Ministries are deposited at commercial banks by beneficiaries. These cheques, once cleared at Namclear, are returned to the Bank. The Bank's responsibility is to authenticate the cheques by checking signatures, comparing amounts with words, and ensuring that the cheque was not stopped or forged. These cheques are then processed and bank statements are prepared and submitted with the cleared cheques to the Ministry of Finance. During the year under review, 615,716 Government cheques were processed, 16 percent more than in the preceding year.

SETTLEMENT SERVICES

The Bank of Namibia provides a real-time interbank payment and settlement service to the Namibian banking institutions or system participants through the NISS. The NISS is the real-time gross settlement system for Namibia. All high-value (>N$5 million) interbank payments need to be made through the NISS. Other payments that are currently settled through the NISS are domestic cheques and EFTs, while efforts are under way to settle all card transactions as soon as the NamSwitch system becomes operational at the end of April 2008.

Table A.4: 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	
2003	301	220.2	181.4	38.9	38,176
2004	302	242.4	188.7	53.7	37,804
2005	302	231.1	154.8	76.3	37,009
2006	301	292.6	202.3	90.3	27,011
2007	301	342.7	239.7	103.1	27,805

During 2007, about 27,800 transactions were settled through the NISS, amounting to N$343 billion. Compared with 2006, the value increased by about 17 percent, while the volume of transactions increased by 3 percent. Of the N$343 billion settled in NISS approximately 70 percent of the transactions were in the form of gross transactions while the remainder, which is 30 percent, were bulk transactions. Bulk transactions include EFT and code-line clearing (CLC) transactions cleared by Namclear and then settled on a gross bilateral basis in NISS. The increase in the number of transactions in 2007 is in line with the Bank of Namibia's drive to encourage the settlement of more time-critical transactions through the NISS system.

During the year under review, Namclear cleared 5.2 million cheques, to the total value of N$76.2 billion. The value of cheques was 4.6 percent more than in 2006, while the volume declined by 6 percent. The EFT volumes cleared by Namclear amounted to 4.9 million transactions with a combined value of N$72.4 billion. EFT volumes rose by 12.5 percent, while the value jumped to an impressive 164 percent rise between 2006 and 2007. These figures illustrate that clearing activities are growing rapidly, and they should expand even more once local card switching and clearing commences in 2008.

As a way to eliminate credit risk in line with Core Principle 3 for Systemically Important Payment Systems, the Bank offers intraday and overnight credit to NISS participants through a repo facility. Through this facility, and upon the pledge of eligible securities to the Bank, an NISS participant can obtain such credit from the Bank. The facility is governed by a repurchase agreement in terms of which an NISS participant agrees to repurchase eligible securities from the Bank during the day, but not later than the next fund settlement day. While no interest is charged on intraday credit, overnight repo attracts interest at the ruling Bank rate.

The value of daily credit extended on an overnight repo basis totalled about N$22.3 billion in 2007. On average, this is about N$74 million per settlement day. The use of overnight credit for settlement purposes slowed down considerably during the course of 2007, which is a good indicator of the much-improved liquidity in the payment system. Also, in relation to total settlement value, overnight credit repo accommodation slowed down from 9.7 percent in 2006 to 6.5 percent in 2007. However, the use of intraday repo credit rose moderately; the sum total of the maximum daily exposures of each participant during the year increased from N$72 billion to N$86 billion between 2006 and 2007.

Based on the developments during 2007, the Bank is confident that the NISS remains a safe, robust and adaptable system that meets international standards, namely the Core Principles for Systemically Important Payment Systems, set by the Bank for International Settlements.

ADMINISTRATION OF EXCHANGE CONTROL

Namibia continues to comply with Article VIII of the Articles of Association of the IMF by not placing restrictions on current account transactions such as payments for imports. 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.

In an effort to encourage competition in the foreign exchange market, the Bank in 2007 has approved and issued an additional licence to an Authorised Dealer with Limited Authority to deal solely with travel-related activities.

The Bank undertook several liberalisation measures in line with the stated approach of gradually easing remaining exchange controls. During 2007, the Minister of Finance announced during her budget speech that companies involved in oil and gas exploration and production have been exempted from compliance with the normal requirements pertaining to Customer Foreign Currency Accounts, including the 90-day conversion rule. Furthermore, it was also decided to increase the amount of advance payments for imports from N$250,000 to N$500,000. In addition, Namibians who wish to effect payments abroad are now allowed to do so on the strength of an Internet-generated invoice for an amount not exceeding N$20,000 per transaction per annum.

During the year, a number of cases of contraventions of the Currency and Exchanges Act, 1933 (No. 9 of 1933), were reported, thanks to enhanced cooperation with the Namibian Police and Customs and Excise Authorities. In this regard, a number of foreign nationals were arrested while buying, selling or exporting foreign currencies.

PUBLIC EDUCATION

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

The past year saw the first-ever Banking Week, which is a collaborative effort of the Bank of Namibia and the Bankers' Association to educate the public on the banking industry. This national campaign included publicity, road shows, and a school competition, and helped to raise awareness about the important role that the banking industry plays in the economy.

During the past year, the Bank of Namibia hosted a very successful national High School Competition, with schools from all 13 Regions competing. Students had to study a book entitled The role of the Bank of Namibia in the economy, compiled by the Bank, and answer questions on it. Romanus Kamunoko Senior Secondary School won the contest and prize money of N$50,000, whilst the Etosha Senior Secondary School were runners-up, winning a cash prize of N$20,000. Schools from the Khomas Region were also invited to visit the Bank to learn more about its operations. Nine schools benefited from the school visiting programme.

SOCIAL RESPONSIBILITY

In line with its social responsibility priorities, the Bank makes considerable investments in the Namibian community. Realising that the Government of Namibia faces many developmental challenges, the Bank of Namibia supports Government efforts by channelling funds to areas of need. The Bank is, therefore, committed to the focus on the area of education.

In 2006, the Bank 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 will be channelled to the development of such centres until 2010. Computer centres provide learners with the opportunity to become fully computer literate. Computer skills are increasingly important in finding employment or for studies at tertiary institutions.

In addition, the Bank channelled funds in the form of donations and sponsorships to the needy in order to enhance the lives of Namibians by supporting worthy causes.

FINANCIAL MARKET DEVELOPMENTS

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STRATEGIC PLAN 2007–2011

Strategic objectives

Promote financial market development by initiating activities aimed at increasing access to financial services and financial instruments.

Initiatives and strategies

Continue to initiate activities aimed at creating an active and liquid securities market.

Engage stakeholders in order to influence policy decisions aimed at creating an enabling environment supportive of deepening and widening the financial market.

Monitor the implementation of the Financial Sector Charter, and engage stakeholders, where appropriate.

Carry out relevant research to promote access to financial services in order to enhance broader participation by the unbanked.

Ensure that the national payment system is accessible and cost-effective so as to promote affordable banking services.

During 2007, the Bank of Namibia and the Government continued to initiate measures aimed at developing Namibia's financial markets. A developed financial market ensures continuous access to funds at affordable prices that will enable the development of the local economy. It is also a conduit through which the financial sector can be strengthened. The year 2007 was no exception and, thus, this section intends to highlight some of the initiatives undertaken during 2007. Among the key measures embarked upon was the issue of Bank of Namibia Bills. These aim to help commercial banks meet the statutory liquid assets requirement as well as measures introduced to bring efficiency into the Government auction process. Other initiatives were the successful redemption of the Bank's syndicated loan, which was taken up in 2006 to establish a good track record for the country in the international markets, and setting up the permanent Internal Registered Stock (IRS) Redemption Account to fund all future maturing Government bonds.

NEW INVESTMENT INSTRUMENT: THE BANK OF NAMIBIA BILL

Following a decline in the issuance of Government debt due to the Central Government's improved fiscal position during its 2007/8 financial year, the market experienced an acute shortage of debt papers, making it especially difficult for commercial banks to comply with statutory liquid asset requirements. According to the Determination issued under the Banking Institutions Act, namely BID–6 on Minimum Liquid Assets, commercial banks are required to hold 10 percent of the average daily amount of its total liabilities to the public for the preceding month in liquid assets. The issue of Central Government securities for the 2007/8 fiscal year was reduced quite extensively, with a net redemption of N$1.596 billion. This amount includes the redemption of the GC07 bond, which constituted a relatively significant share (11 percent) of total Government outstanding domestic debt. Under these market conditions, there was a reduction in the eligible assets for required liquid assets.

In an effort to help commercial banks meet the required minimum liquid assets, a 56-day Bank of Namibia instrument known as the Bank of Namibia Bill – BoN Bill – was introduced. The BoN Bill is issued in terms of section 55 of the Bank of Namibia Act, as amended. The sole purpose of the BoN Bill is to assist commercial banks in meeting minimum liquid asset requirements; hence, the holding of this instrument is limited to commercial banks. The total amount issued at any point is largely guided by the liquid asset needs of commercial banks. The BoN Bill is issued on a fixed price tender basis to ensure that all commercial banks in need of liquid assets for compliance are allotted the needed securities. This means that the Bank of Namibia sets the issue price and the price is sent to participants prior to the tender. A total of N$1,475 million in 56-day BoN bills have been issued so far, with N$630 million still outstanding at the end of the year, as reflected in Chart A.5.

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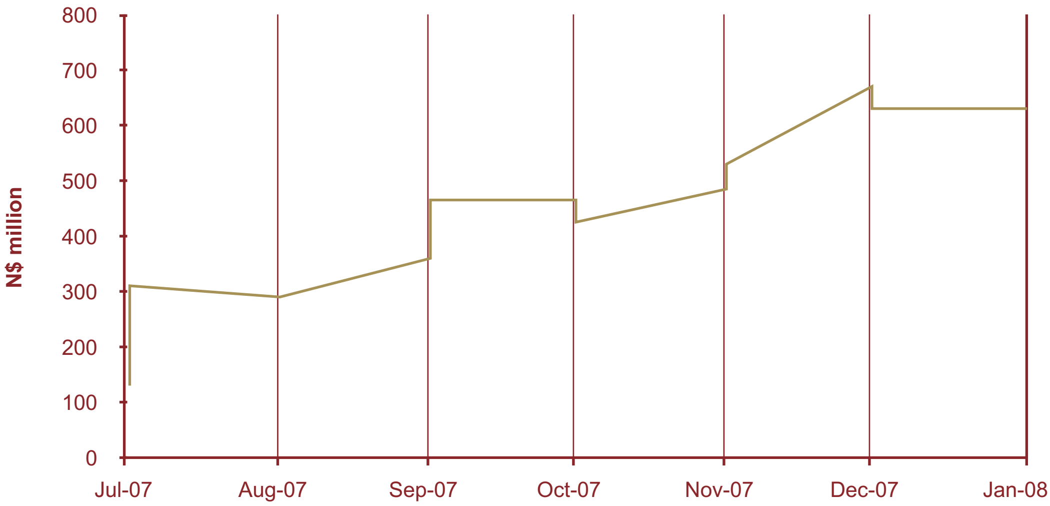
Chart A.5: Value of BoN bills outstanding



EFFICIENCY ENHANCEMENT IN GOVERNMENT DEBT AUCTION PROCESS

Market participants have on several occasions expressed concern over the late announcements of auction results of Government securities. After comparing its auction process with that of other countries within the SADC region and beyond, the Bank, in conjunction with the Ministry of Finance, made operational changes to the existing auction procedures. These operational changes were effective as from 1 November 2007. Specifically, the changes were made to coincide with the announcement of the Government debt securities auction results and the settlement of such securities. In its review of the auction procedure, the Bank took international standards and best practices into account (Table A.5).

Table A.5: Securities auction procedures: Namibia vs. other countries

Auction characteristics	Namibia	South Africa	Euro system: Standard tenders
Frequency	Every 2 weeks	Weekly	Weekly
Method of invitation and announcement	E-mail/website & Reuters	Bloomberg & Reuters	Wire serves & direct
Bidding opens	08:00	12:00	09:00
Bidding closes	10:00	12:15	09:30
Method of submission	Fax	Bloomberg	Wire serves
Tender allotment	10:00–11:30	12:15	10:00–11:00
Announcement of tender result	12:00	12:20	11:15
Settlement of the transaction	T+1	T+0	T+1

T+0 = Same business day; T+1 = One business day; T+2 = Two business days

From November 2007, the announcement of Government debt securities auction results was made by 12:00 on the day of the tender. Furthermore, the settlement period after the auction date for Treasury Bills and Government bonds has changed from two business days (T+2) to one business day (T+1). The market welcomed these changes as investors are now in a better position to make quick investment decisions because they are made aware of allotment decisions much sooner. The new auction procedures are now also more closely aligned to those of other countries.

BANK OF NAMIBIA SYNDICATED LOAN

The syndicated loan of US$50 million that the Bank raised during 2006 as a way of augmenting the level of the foreign exchange reserves and as a benchmark for future borrowing by Namibian entities matured during August 2007. The objective of creating the Bank's positive history in the markets was achieved as the loan was successfully repaid. The other rationale, of creating a benchmark for local entities, was also supported as evidenced by some local institutions tapping international markets.

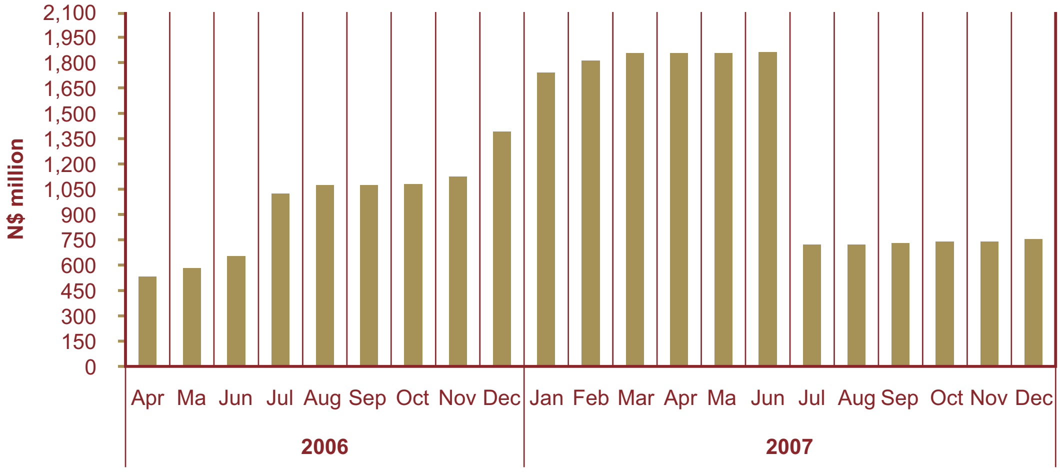
The raising of the syndicated loan by the Bank was a step in the right direction as it introduced the country to international markets, which is regarded as important in view of future offshore exposure by the Bank and other national entities. The next step could be the extension of the maturity profile of the borrowing. This could be achieved either by extending the maturity of the loan from, say, one to three years, or by issuing a bond (Eurobond) with a longer maturity. Some benefits realised from maintaining a presence in the market are establishing a repayment history, and setting an independent benchmark for future issues by the Government and by other potential issuers in Namibia looking for long-term financing.

THE IRS REDEMPTION ACCOUNT

During April 2006, the Government took a decision to set funds aside in the IRS Redemption Account for the redemption of maturing bonds. This prudent measure ensures that the principal of outstanding Government bonds is available when due, without exerting unnecessary pressure on Central Government balances on any one day. From the investor's point of view, the IRS Redemption Account not only provides surety, but also instils confidence that the Government is less likely to default on the repayment of the principal upon maturity.

By January 2007, N$1.74 billion, including interest income, had accumulated on this account (See Chart A.6). The balance on the IRS Redemption Account reached its highest level to date, namely N$1.88 billion in June 2007, before it was reduced to N$721.9 million in July 2007, when the GC07 bond of N$1.2 billion was redeemed. At the end of December 2007, the balance on this account stood at N$753.3 million. Since there was no bond issue envisaged for the 2007/8 fiscal year, the growth in the balance on the Redemption Account should be expected to slow down until the next Government Budget, where new strategies might possibly be initiated to grow funds on this account. However, the balance on the account is already more than enough to redeem the next maturing Government bond, namely the GC08. A total of N$582.2 million outstanding in GC08 will be redeemed in July 2008. Chart A.6 illustrates the balance at the end of each month since the inception of the IRS Redemption Account.

Chart A.6: Funds held on the IRS Redemption Account



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RESOURCE MANAGEMENT

STRATEGIC PLAN 2007–2011

Strategic objectives

Develop and manage resources sustainably to support the achievement of the Bank's strategic goals.

Initiatives and strategies

Maintain an effective risk management framework to mitigate any adverse impact on Bank operations and business continuity.

Continually adapt the Bank's human resource strategies in order to enhance leadership and organisational culture and capacity.

Create an enabling environment for its human resources to be motivated, productive and dedicated to the achievement of Bank objectives and strategies.

Maintain and improve structures in order to streamline operational processes and delineating clear responsibilities and accountabilities.

Continue to manage financial affairs in a prudent and sustainable manner.

Ensure availability of assets and infrastructure that support operations in a cost-effective manner.

FINANCIAL MANAGEMENT

An examination of the liabilities of the Bank gives a good indication of the sources of funds with which the Bank sustains its operations. These funds are reflected in Table A.6.

Table A.6: Composition of monthly average liabilities of the Bank of Namibia

Financial year	2003	2004	2005	2006	2007
N$ million					
Capital and reserves	819	688	648	836	1,021
Currency in circulation	789	856	939	1,017	1,126
Government deposits	483	486	509	1,633	4,648
Bank deposits	250	276	294	355	400
Other	194	191	195	335	529
Total	**2,535**	**2,497**	**2,585**	**4,176**	**7,724**
percent composition					
Capital and reserves	32.3	27.4	25.0	20.0	13.2
Currency in circulation	31.2	34.3	36.3	24.4	14.6
Government deposits	19.0	19.5	19.7	39.1	60.2
Bank deposits	9.9	11.1	11.4	8.5	5.2
Other	7.6	7.7	7.6	8.0	6.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

In 2007, Government deposits contributed 60.0 percent to the Bank's sources of funds, which is a substantial increase considering that such deposits contributed less than 20.0 percent in 2005. As a result of large Government deposits, all other sources of funds became statistically less significant.

Table A.7 presents a few major categories of the Bank's assets. As a central bank, it is normal that the bulk of the Bank's assets take the form of foreign investments. Between 2003 and 2005, 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, foreign investments increased the currency's prominence considerably, because of the growth in foreign reserves and the depreciation of the local currency.

Table A.7 - Composition of monthly average assets of the Bank of Namibia

Monthly averages	2003	2004	2005	2006	2007
N$ millions					
Foreign investments	2,259	2,004	1,995	3,056	6,051
Loans and advances	67	262	316	781	1,248
Fixed assets	162	155	158	146	142
Other assets	47	77	115	192	283
TOTAL	**2,535**	**2,497**	**2,585**	**4,175**	**7,724**
% composition					
Foreign investments	89.1%	80.2%	77.2%	73.2%	78.3%
Loans and advances	2.6%	10.5%	12.2%	18.7%	16.2%
Fixed assets	6.4%	6.2%	6.1%	3.5%	1.8%
Other assets	1.8%	3.1%	4.5%	4.6%	3.7%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

It is also observed that, since the introduction of the NISS in 2002, the share of loans and advances has begun to rise strongly in monetary terms and as a percentage of total assets. The NISS allowed banking institutions to obtain overnight credit through a repo facility. On the other hand, the value of fixed assets in relation to total assets is falling steadily due to the annual depreciation charged against the value of the Bank's assets.

As outlined in Table A.8, all sources of the Bank's income performed quite well between 2005 and 2007. In absolute terms, net interest earned on the Bank's investments remains the most important source of income. However, from 2004 onwards, the Bank gained an increasing share in the compensation that the South African Government pays for Rand circulating as legal tender in Namibia and the other members of the CMA. As the latter income source began to increase in absolute terms and as a proportion of total income, net interest earnings reduced their share in total income.

Table A.8: Bank sources of income

Income component	2005		2006		2007	
	N$ million	percent	N$ million	percent	N$ million	percent
Interest received	103.0	68.5	165.0	74.6	327.6	99.9
less: Interest paid	-6.7	-4.5	-31.3	-14.2	-159.1	-48.7
Net interest earned	96.3	64.0	133.8	28.9	168.5	36.4
Realised gain/(loss)	-1.9	-1.3	-5.4	-1.2	19.1	4.1
Rand seigniorage	49.9	33.2	87.2	18.9	132.6	28.7
Net foreign exchange gains	-	-	241.5	52.2	135.0	29.2
Other income	6.1	4.1	5.4	1.2	7.5	1.6
Total income	**150.4**	**100.0**	**462.3**	**100.0**	**462.7**	**100.0**
Annual increase (percent p.a.)		**34.9**		**207.3**		**0.09**

Because the Bank maintains strict control over all expenditure and works within the budget constraints approved by the Board, it was possible to contain the annual rise in operating expenses (Table A.9). In 2007, however, the Bank's operating expenses increased sharply - largely as a result of the strong rise in currency production costs.

Table A.9: Composition of operating costs

Cost component	2004		2005		2006		2007	
	N$ million	%	N$ million	%	N$ million	%	N$ million	%
Staff costs	61.0	63.3%	64.7	66.8%	67.8	68.2%	77.9	53.1%
Currency expenses	6.8	7.1%	4.3	4.4%	5.4	5.4%	17.5	11.9%
Depreciation charges	10.8	11.2%	10.8	11.1%	6.5	6.5%	9.1	6.2%
Other operating expenses	17.7	18.4%	17.1	17.6%	19.7	19.8%	42.1	28.7%
Total operating expenses	**96.3**	**100%**	**96.9**	**100%**	**99.4**	**100%**	**146.6**	**100%**
Annual increase (%)		**0.6%**		**0.6%**		**2.6%**		**47.5%**

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STAFFING AND PERSONNEL DEVELOPMENTS

Staff development remains important for the achievement of the Bank's strategic objectives. Therefore, apart from the provision of general specialised technical and soft skills training, the Bank committed itself to the enhancement of its managerial capacity during the course of 2007. A team-building workshop was conducted for all middle managers, and three senior managers attended an International Executive Development Programme at a reputable university. The total resources spent by the Bank on staff training virtually doubled from 2006, namely to N$2.8 million in 2007, which confirms the high priority that the Bank places on capacity building amongst its relatively young staff complement.

The Bank's total staff complement (including vacancies) for 2007 stood at 291. During the year, an average of 269.5 positions had been filled. The composition of the staff complement at the Bank for the past four years is shown in Table A.10.

Table A.10: Employment at the bank at year end

Staff category	2004	2005	2006	2007
General staff	239	240	232	251
Management (excluding Executive Management)	26	27	25	27
Executive Management	3	3	3	3
Total	**268**	**270**	**260**	**281**

During 2007, the Bank recorded a staff turnover of 13 terminations, which represents 4.8 percent of the average staff complement of 269.5. The turnover rate of 4.8 percent is within the excepted benchmark of 6.0 percent, and compares favourably with the rate of 10.2 percent in 2006. The low turnover rate can be attributed to staff retention strategies employed by the Bank in 2007. Furthermore, 34 new employees were recruited during the year under review.

EMPLOYMENT EQUITY

The Bank is committed to the Affirmative Action Act, 1998 and to comply with the related terms and conditions. It is fully supportive of equal employment opportunities for all its staff and job applicants, and is working towards achieving the goals set in the Affirmative Action Act.

The Bank has set a target to have a 25.0 percent representation by women at management level by the end of 2009. By the end of 2007, the Bank managed to exceed this target, achieving a 27 percent representation. The promotion of physically challenged persons is another area which the Bank intends to address proactively. The representation of people with physical challenges employed by the Bank is currently 1.0 percent; the target for 2009 has been set at 2 percent or more. The intention is to achieve this target through progressive recruitment strategies and the issuing of bursaries to people with physical challenges with the aim of employing them upon completion of their studies.

HEALTH, SAFETY AND WELLNESS

The Bank of Namibia is committed to ensuring the health, safety and welfare of its employees, customers, suppliers, visitors, contractors and all others who may be affected by its activities as prescribed in the relevant statutes as well as Bank policies and procedures. This commitment is evidenced in the Bank's maintenance of a safe and healthy working environment in consultation with staff members and by continually improving procedures, methods and systems for managing health and safety.

Against this background, the Bank issued an Occupational Health and Safety Policy and accompanying Guidelines, which spell out the roles and responsibilities of the various role players.

FACILITIES MANAGEMENT AND SECURITY

Considering that the Bank's buildings and installations are aging after having served for more than seven years, the Bank compiled a comprehensive maintenance plan for their upkeep. Moreover, new technology has emerged, especially in the field of communications and security. In the light of this, the Bank embarked on a systematic upgrade and refurbishment programme over the last few years. This involved upgrading security equipment such as closed-circuit television, recording systems, and access control systems. Attention is also being given to physical structures in terms of the creation of additional office space, infrastructure repairs, ergonomic arrangements, and the renovation of the office area.

The current facilities in Windhoek and Oshakati are still adequate to serve the Bank's needs. However, a remote disaster recovery facility is required in the near future. The current facility is leased from a third party. Moreover, as an institution with a passion for excellence, capacity development continues to be a priority. Therefore, the Bank looks forward to the establishment of its own training centre, with modern equipment to facilitate a high level of in-house staff development.

INFORMATION TECHNOLOGY

Information security is one of the key responsibilities for the Bank of Namibia. Information technology (IT) security has turned into a virtual arms race, where hackers exploit new system technologies in order to find vulnerabilities in IT systems. This has given them opportunities to gain access to information from corporate databases and even to make fraudulent transactions.

Multiple security control in hardware and software has been installed as part of the Bank's IT infrastructure. One of the latest developments was an Intrusion Prevention System, which detects possible hacking attempts and takes actions against such activities that it predetermines as malicious. The system also discovers new techniques being used internationally, by updating itself periodically with a central repository for countermeasures.

The Bank has not only attended to application system developments, but has also implemented major improvements to the server hardware environment. Traditionally, the Bank has used diverse operating systems and application environments that require many dedicated physical servers, each with a separate and isolated memory and processing and storage infrastructure. This environment has lent itself to high maintenance, minimum redundancy, narrow scalability, and a waste of unutilised resources. The response to this growing problem was to remove the traditional isolated systems with a consolidated solution that resides on only four physical servers, as opposed to nearly 30 that used to be housed in the Data Centre. The new environment has the much-needed ability to host all the Bank's current servers and can deploy many new systems within minutes, while maintaining effective redundancy and easy manageability.

RISK MANAGEMENT

The Bank is exposed to numerous risks, and their management demands a broad array of disciplines. While some of these risks are inherent to the business of central banking, others are generic risks to which most institutions are exposed. The unique nature of the Bank's operations is explained by the fact that the Bank acts as sole issuer of the national currency, as banker to Government and to banking institutions, as monetary authority, as banking regulator, as custodian of foreign currency reserves, as overseer of the national payment system, and as 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 wrong economic policy advice. Another underlying risk faced by the Bank is undetected or irreparable instability in the financial or banking systems, thereby causing damage to the economy and to the Bank's reputation and credibility.

Other specific risks include the following:

- Credit and interest rate risks associated with the Bank's day-to-day liquidity management in domestic financial markets, including failure to settle
- The risks 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, and
- Risks associated with being a small organisation that is highly dependent on specialised and professional staff, such as the loss of key personnel.

The Bank does not have a specialised unit to monitor and manage risks, but rather sees risk management as an integral part of the general management task, and a daily responsibility. The existing institutional framework for risk management in the Bank can be summed up as follows:

- Risks associated with the performance and stability of banking institutions are addressed by the Banking Supervision Department, which reports regularly to the Board
- Systemic risks are managed through efforts to assess the financial system's stability and factors that influence such stability; information on this assessment is published biannually
- Risks associated with the management of foreign reserves are addressed by the EC with regard to adequacy and compliance with the investment mandate; the EC reports regularly to the Board on such risks
- Risks associated with the accuracy of policy advice are managed by regularly monitoring and analysing domestic and international developments, and by facilitating, thoroughly debating and reviewing the policy options proposed by the EC, and

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- All other risks are addressed by the Bank's Management Committee through efforts to assess the risk-mitigating actions taken by each department in the Bank. Any risk concerns are submitted to the Bank's Audit Committee, which are then raised at Board level.

The Bank has also adopted a Business Continuity Management Framework, including guidelines and procedures on how to recover and resume key business processes in the Bank. More and more system applications are also being replicated at the Bank's disaster recovery facility.

Table A.11 - Bank of Namibia - balance sheet comparisons - 2003 to 2007 - N$ ' 000

	31-Dec-07	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
ASSETS					
Non-current assets	**206,638**	**183,396**	**237,133**	**186,027**	**212,438**
Propery, plant and equipment	156,945	151,879	147,779	150,748	159,261
Intangible assets - computer software	1,205	1,895	1,564	2,601	0
Currency inventory - notes and coins	26,926	12,544	4,771	8,437	10,425
Loans and advances	21,562	17,078	83,019	24,241	42,752
Current assets	**7,696,801**	**5,109,651**	**2,404,586**	**2,546,332**	**2,156,047**
Investments	6,547,819	3,348,505	1,906,463	1,902,286	2,090,925
Loans and advances	889,560	1,519,209	402,723	555,400	42,259
Rand Cash	108,658	133,087	41,067	47,246	13,210
Other inventory - stationary and spares	1,982	2,086	945	1,690	0
Other assets	148,782	106,764	53,388	39,710	9,653
TOTAL ASSETS	**7,903,439**	**5,293,047**	**2,641,719**	**2,732,359**	**2,368,485**
EQUITY AND LIABILITIES					
Capital and reserves	**1,189,455**	**953,691**	**647,427**	**600,205**	**727,220**
Share capital	40,000	40,000	40,000	40,000	40,000
General reserve	367,432	306,310	246,569	228,014	239,756
Revaluation reserve	722,023	587,381	345,858	312,191	432,464
Building reserve	60,000	10,000	0	0	0
Development fund reserve	0	10,000	15,000	20,000	15,000
Non-Current Liabilities	**16,991**	**14,940**	**14,190**	**11,973**	**0**
Provision for post-employment benefits	16,991	14,940	14,190	11,973	0
Current Liabilities	**6,696,993**	**4,324,416**	**1,980,102**	**2,120,181**	**1,641,265**
Notes and coins in circulation	1,323,749	1,173,345	1,026,846	945,758	918,686
Deposits	5,334,479	3,132,352	945,324	1,162,657	665,819
Provision for post-employment benefits	477	420	247	292	0
Trade and other payables	38,288	18,299	7,685	11,474	56,760
TOTAL EQUITY AND LIABILITIES	**7,903,439**	**5,293,047**	**2,641,719**	**2,732,359**	**2,368,485**

Table A.12 - Bank of Namibia - income statement comparisons - 2003 to 2007 - N$ ' 000

	31-Dec-07	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Interest income	**327,574**	**165,093**	**103,035**	**88,870**	**137,844**
Interest expense	**(159,075)**	**(31,291)**	**(6,677)**	**(14,828)**	**(40,088)**
Net interest income	**168,499**	**133,802**	**96,358**	**74,042**	**97,756**
Net realised gains/(losses) on portfolio investments	19,111	(5,403)	(1,944)	(5,098)	(4,069)
Net unrealised currency gains/(losses)	134,642	241,523	33,667	(120,273)	(360,021)
Other income	140,110	92,780	56,044	42,560	5,569
Total income	**462,362**	**462,702**	**184,125**	**(8,769)**	**(260,765)**
Operating expenses	**146,598**	**99,400**	**96,903**	**98,149**	**95,722**
Net income for the year	**315,764**	**363,302**	**87,222**	**(106,918)**	**(356,487)**
Transfer from/(to) revaluation reserve	(134,642)	(241,523)	(33,667)	120,273	360,021
Net income available for distribution	**181,122**	**121,779**	**53,555**	**13,355**	**3,534**
Appropriations:					
General reserve	61,122	49,582	18,555	3,790	2,474
Building reserve	50,000	10,000	0	0	0
Development fund reserve	0	10,000	15,000	5,000	0
Distribution to State Revenue Fund	70,000	52,197	20,000	4,565	1,060

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PART B

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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

PART B

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ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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

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We have audited the annual financial statements of the Bank of Namibia, which comprise the balance sheet at 31 December 2007, 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 43 to 75.

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 2007, 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).

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: DJ Cilliers
Partner

Windhoek
20 March 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). During the current year, the Bank adopted *IAS 21: Effects of changes in Exchange Rates.*

4. The Board members confirm that they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. Accordingly the financial statements are prepared and presented on the going concern basis of accounting.

5. The Board's Audit Committee comprises 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 43 to 75 were approved by the Board and are signed on its behalf by:

Chairman
6 March 2008

Board Member
6 March 2008

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

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	Notes	2007 N$'000	Restated 2006 N$'000
Net interest income		**168 499**	**133 802**
Interest income	2	327 574	165 093
Interest expense		(159 075)	(31 291)
		293 863	**328 900**
Net gains\(losses) on investment portfolio		19 111	(5 403)
Net foreign exchange gains	13	134 642	241 523
Government Grant – FIC funding	2	1 781	-
Other income	2	138 329	92 780
Total income		**462 362**	**462 702**
Operating expenses		(146 598)	(99 400)
Profit for the year	**2**	**315 764**	**363 302**
Transfer to Revaluation reserve	13	(134 642)	(241 523)
Profit available for distribution		**181 122**	**121 779**
Transfers to reserves		**(111 122)**	**(69 582)**
General reserve	12	(61 122)	(49 582)
Building fund reserve	14	(50 000)	(10 000)
Development fund reserve	15	-	(10 000)
Distribution to State Revenue Fund		**70 000**	**52 197**

BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	2007 N$'000	Restated 2006 N$'000
ASSETS			
Non-Current Assets		**206 638**	**183 396**
Property and equipment	3	156 945	151 879
Intangible assets – computer software	4	1 205	1 895
Currency inventory – notes and coins	5	26 926	12 544
Loans and advances	6	21 562	17 078
Current Assets		**7 696 801**	**5 109 651**
Investments	7	6 547 819	3 348 505
Loans and advances	8	889 560	1 519 209
Rand cash		108 658	133 087
Other inventory – stationery and spares	9	1 982	2 086
Other assets	10	148 782	106 764
TOTAL ASSETS		**7 903 439**	**5 293 047**
EQUITY AND LIABILITIES			
Capital and Reserves		**1 189 455**	**953 691**
Share capital	11	40 000	40 000
General reserve	12	367 432	306 310
Revaluation reserve	13	722 023	587 381
Building fund reserve	14	60 000	10 000
Development fund reserve	15	-	10 000
Non-Current Liabilities		**16 991**	**14 940**
Provision for post employment benefits	16	16 991	14 940
Current Liabilities		**6 696 993**	**4 324 416**
Notes and coins in circulation	17	1 323 749	1 173 345
Deposits	18	5 334 479	3 132 352
Provision for post employment benefits	16	477	420
Trade and other payables	19	38 288	18 299
TOTAL EQUITY AND LIABILITIES		**7 903 439**	**5 293 047**

TOM K. ALWEENDO
GOVERNOR
6 March 2008

PAUL W. HARTMANN
CHIEF FINANCIAL OFFICER
6 March 2008

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	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 31 December 2005								
As previously stated	**40 000**	**-**	**246 569**	**345 858**	**-**	**-**	**15 000**	**647 427**
Restatement								
Impairment - Off market loans **(Note 1.4)**	-	-	2 470	-	-	-	-	2 470
Property, equipment and intangible assets **(Note 3&4)**	-	-	7 689	-	-	-	-	7 689
Balance at 1 January 2006 - As restated	**40 000**	**-**	**256 728**	**345 858**	**-**	**-**	**15 000**	**657 586**
Profit for the year	-	363 302	-	-	-	-	-	363 302
Transfer to Revaluation reserve	-	(241 523)	-	241 523	-	-	-	-
Disbursement Development fund	-	-	-	-	-	-	(15 000)	(15 000)
Appropriation of net profit for the year	-	(121 779)	49 582	-	52 197	10 000	10 000	-
Reclassification to current liability	-	-	-	-	(52 197)	-	-	(52 197)
Balance at 31 December 2006	**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**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 N$'000	Restated 2006 N$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised by operations	A	(39 747)	(163 360)
CASH FLOWS FROM INVESTING ACTIVITIES		**(48 460)**	**51 861**
Proceeds on disposals of property, equipment and intangible assets		-	92
Purchase of property and equipment		(11 709)	(3 170)
Purchase of currency inventory		(30 456)	(12 325)
Purchase of intangible asset – computer software		(1 811)	(1 147)
(Increase)/decrease in loans and advances		(4 484)	68 411
CASH FLOWS FROM FINANCING ACTIVITIES		**88 207**	**111 499**
Distribution to the State revenue fund	B	(52 197)	(20 000)
Distribution to the Development Bank of Namibia		(10 000)	(15 000)
Notes and coins issued		150 404	146 499
	1.16	-	-

NOTE:

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

	2007 N$'000	2006 N$'000
Profit for the year after tranfers	181 122	121 779
Adjusted for:		
Depreciation	6 643	5 665
Currency inventory amortisation cost	16 074	4 552
Provision post employment benefits	2 108	923
Amortisation of computer software	2 501	838
Loss on disposal of property, equipment and intangible assets	-	16
Profit on disposal of property, equipment and intangible assets	-	(54)
Operating cash flows before movements in working capital	208 448	133 719
Decrease/(increase) in loans and advances	629 649	(1 116 486)
Decrease/(increase) in Rand cash	24 429	(92 020)
(Increase) in other assets	(42 018)	(53 376)
Decrease/(increase) in inventory	104	(123)
Movement in inventory	104	(1 141)
Reclassification of inventory	-	1 018
Increase in deposits	2 184 324	2 154 831
Increase in trade and other payables	19 989	10 614
(Increase) in investments	(3 064 672)	(1 200 519)
	(39 747)	(163 360)

B. DISTRIBUTION TO STATE REVENUE FUND

	2007 N$'000	2006 N$'000
Opening balance included in deposits	(52 197)	(20 000)
Appropriations of net profit for the year	70 000	52 197
Closing balance included in deposits	(70 000)	(52 197)
Paid for the year	(52 197)	(20 000)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007

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 aside from *IAS 21: Effect of Changes in Exchange Rates* which the Bank has adopted in the current financial year, are set out below. 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 CHANGE IN ACCOUNTING POLICY

The Bank has adopted the requirements of *IAS 21: Effect of Changes in Exchange Rates.* Gains and losses arising from the revaluation of foreign currencies resulting from changes in the official exchange rates were posted directly to the Revaluation Reserve which was not in compliance with the requirements of *IAS 21: Effect of Changes in Exchange Rates.* The Standard requires that gains and losses should be charged through the income statement and not taken directly to the reserves. It is the Bank's intention to charge these gains and losses through the profit or loss account and then appropriate the same amount to the Revaluation Reserve which is a non distributable reserve. There would be no impact on the overall reserves of the Bank as a result of the adoption of this Standard, however the profit for the financial year 2006 has been restated as follows:

	Restated 2006 N$'000	Restated 2006 N$'000
Profit for the year as previously stated		118 470
Prior year restatement		3 309
Restated profit for the year 2006		**121 779**
Net foreign exchange translation gains		241 523
Restated profit for the year		**363 302**
Transfer to reserves		
Revaluation reserve	241 523	
General reserve restated balance 31 December 2006	**49 582**	
Opening balance 1 January 2006	46 273	
Off-market loans restatement	730	
Residual value and useful life restatement	2 579	
Building reserve	10 000	
Development fund reserve	10 000	
		(311 105)
Distribution to the State Revenue Fund		**52 197**

1.2 ADOPTION OF NEW AND REVISED ACCOUNTNG STANDARDS

IFRS 7 – FINANCIAL INSTRUMENTS DISCLOSURES

The Bank has adopted the principles of *IFRS 7: Financial Instruments Disclosures* in the current year under review. The primary objective of the statement is to require entities to disclose in their financial statements, the significance of financial instruments in as far as their financial performance and position is concerned, and the nature and extent of risks arising from financial instruments that an organisation is exposed to and the processes by which these risks are managed.

1. ACCOUNTING POLICIES (CONTINUED)

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

The Bank has prepared its financial statements in accordance with the requirements of *IAS 1 – Presentation of Financial Statements.* In line with the revision of the Standard the Bank has also complied with the revised requirements. The objective of the revision was primarily to reduce or eliminate alternatives, redundancies and conflicts within the Standard.

1.3 CHANGE IN ACCOUNTING ESTIMATES

In line with the principles of *IAS 16: Property, Plant and Equipment* the Bank has reviewed the residual value and useful life of all classes of assets. The reassessment of the residual value and useful life of assets was not performed in the previous year. As required by *IAS 8: Accounting policies, changes in Accounting Estimates and Errors,* the restatement has been recognised for prior periods as well as prospectively by including it in profit or loss for the periods presented.

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The impact on the General Reserve for the years prior to 2006 and the impact on profit or loss for the 2006 financial year are as follows:

Effect of the reassessment of useful lives and residual values	**Property & Equipment N$'000**	**Intangible Assets N$'000**	**Total N$'000**
Carrying value as at 1 January 2006	**147 779**	**1 564**	**149 343**
Adjustment to book value as at 1 January 2006	***7 656***	***33***	***7 689***
Accumulated depreciation as previously reported	57 108	14 970	72 078
Restated accumulated depreciation	(49 452)	(14 937)	(64 389)
Restated carrying value as at 1 January 2006	**155 435**	**1 597**	**157 032**
Restated depreciation charge to 2006 income statement	***(5 665)***	***(838)***	***(6 503)***
Depreciation charge as previously reported	(8 233)	(849)	(9 082)
Effect of restatement on 2006 depreciation charge	2 568	11	2 579
Net other transactions as previously reported	2 109	1 136	3 245
Restated carrying value as at 31 December 2006	**151 879**	**1 895**	**153 774**

1.4 ACCOUNTING FOR OFF - MARKET LOANS (STAFF LOANS)

The Bank re-assessed our accounting treatment of low interest staff loans to ensure compliance with the requirements of both *IAS-39 Financial Instruments Recognition and Measurement* and *IAS-19 Employee benefits*. As a result of the re-assessment the following accounting adjustments were required to correct the impairment over charge in the previous years.

	N$'000
Effect on the General Reserve	
Increase in General Reserves as at 1 January 2006	2 470
Income statement effect for the year ended 31 December 2006	
Amortisation of prepaid long term employee benefit	(1 201)
Unwinding of fair valued staff loan interest	1 201
Net effect on income statement for the year ended 31 December 2006	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.4 ACCOUNTING FOR OFF-MARKET LOANS (CONTINUED)

	Prepaid employee benefit N$'000	NPV adjustment off- market loans N$'000
Effect on Balance sheet		
Balance as at 1 January 2006	-	(2 470)
Restatement of opening balances	1 681	789
Restated opening balance as at 1 January 2006	1 681	(1 681)
Fair value of new loans advanced	2 077	(2 077)
Amortisation of prepaid long term employee benefit	(1 201)	-
Unwinding of fair valued staff loan interest	-	1 201
Net effect on income statement for the year ended 31 December 2006	**2 557**	**(2 557)**

1.5 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

As at the date of authorisation of these financial statements, the following Standards and interpretations were in issue but not yet effective:

	New International Financial Reporting Standards	Issued/ Revised	Effective Date
IFRS 8	*Operating segments*	2006	Annual periods beginning on or after 1 January 2009
	Revised International Accounting Standards	**Revised**	**Effective Date**
IAS 1	*Presentation of Financial Statements* Comprehensive revision including requiring a statement of comprehensive income	2007	Annual periods beginning on or after 1 January 2009
IAS 23	*Borrowing Cost* Comprehensive revision to prohibit immediate expensing	2007	Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009
IAS 27	*Consolidated and Separate Financial Statements* Consequential amendments arising from amendments to IFRS 3	2008	Annual periods on or after 1 July 2009
IAS 28	*Investments in Associates* - Consequential amendments arising from amendments to IFRS 3	2008	Annual periods on or after 1 July 2009
IAS 31	*Interest on Joint Ventures* - Consequential amendments arising from amendments to IFRS 3	2008	Annual periods on or after 1 July 2009
IAS 32	*Financial Instrument Presentation* - Amendments relating to puttable instruments and obligation arising on liquidation	2008	Annual periods on or after 1 July 2009

1. ACCOUNTING POLICIES (CONTINUED)

1.5 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

	IFRIC Interpretation	Effective Date
IFRIC 12	*Service Concession Arrangements*	Annual periods beginning on or after 1 January 2008
IFRIC 13	*Customer Loyalty Programmes*	Annual periods beginning on or after 1 January 2008
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit, Asset, Minimum Funding Requirements and their Interaction*	Annual periods beginning on or after 1 January 2008

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The Bank has reviewed the above detailed statements and anticipate that IAS1 and IAS 23 will have an impact on the Bank's financial statements, however at present it would be difficult to predict the financial impact.

1.6 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.

1.7 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

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

At fair value through profit or loss

Held for trading financial assets

- External portfolio investments

Held to maturity financial assets

- External money market investments

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL INSTRUMENTS (CONTINUED)

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

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 and financial liabilities at fair value through profit or loss.

The Bank classifies financial assets as held for trading in accordance with provisions of IAS 39 and financial liabilities are measured at amortised cost. Fair values for the various classes are determined as follows:

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. The fair value of external money market investments is based on quoted bid rates excluding transaction costs.

Held for trading – 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL INSTRUMENTS (CONTINUED)

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 cost 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.

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 asset (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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2007 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.7 FINANCIAL INSTRUMENTS (CONTINUED)

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 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:

	2007 N$'000	Restated 2006 N$'000
Overnight repo's granted to Commercial Banks	127 521	114 849
Fair value of collateral pledged as security	141 690	127 610

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.

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 its loan commitments both during the current and previous financial year.

Income statement net gains or losses

	2007 N$'000	2006 N$'000
Financial assets – at fair value through profit or loss		
Held for trading		
External portfolio investments – net gains/(losses)	19 111	(5 403)
Held to maturity investments - net gains/(losses)	-	-
Loans and receivables	-	-
Financial liabilities measured at amortised cost	-	-
	19 111	(5 403)

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

1. ACCOUNTING POLICIES (CONTINUED)

1.8 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 that 30% of the net profits of the Bank for a financial year be transferred to the General Reserve Account.

1.9 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 Namibian 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.

1.10 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 reassessed the residual value and useful life of all assets 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.

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 reassessed the residual value and useful life of Computer software and the useful life has been revised to 3 - 10 years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 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.

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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 ASSETS

The carrying amount of the assets of the Bank is 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.

1.16 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. ACCOUNTING POLICIES (CONTINUED)

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. In as far as the Bank of Namibia is concerned 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 2007 (CONTINUED)

2. PROFIT FOR THE YEAR

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

	2007 N$'000	Restated 2006 N$'000
Interest Income		
Namibian Dollar and Rand currency	**125 427**	**88 559**
Debt securities - fair value through profit or loss	14 283	-
Money market instruments - fair value through profit or loss	111 144	88 559
Other currency	**200 264**	**75 333**
Debt securities - fair value through profit or loss	149 726	56 838
Money market instruments - fair value through profit or loss	50 538	18 495
Unwinding of present value adjustments	1 883	1 201
	327 574	165 093
Other Income		
Rand compensation income	132 591	87 288
Profit on disposal of property, equipment and intangible assets	-	54
Sundry income	5 738	5 438
	138 329	92 780
Government Grant – Financial Intelligence Centre Funding*	1 781	-
Operating expenses		
Depreciation	6 643	5 665
Amortisation of computer software	2 501	838
Currency inventory amortisation costs	16 074	4 552
Other inventory expensed	913	454
Salaries and related personnel costs	77 947	67 166
Staff training and development	2 807	1 428
Social responsibility	707	1 054
Board members' fees - for services as board members	231	216
Auditors' remuneration - audit fees	546	514
Membership fees	139	168
Building and other maintenance costs	4 498	4 312
Loss on disposal of property, equipment and intangible assets	-	16
Amortisation of prepaid long-term employee benefit	1 883	1201
Number of employees	281	260

*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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

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3. PROPERTY AND EQUIPMENT

2007 **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 2007	142 353	9 573	52 651	1 291	205 868
Additions	843	2 456	8 195	215	11 709
Disposals/write-offs	-	-	(1)	-	(1)
At 31 December 2007	143 196	12 029	60 845	1 506	217 576
Accumulated depreciation					
At 1 January 2007	18 538	4 774	29 546	1 131	53 989
Current year charge	2 775	992	5 369	75	9 211
Disposals/write-offs	-	-	(1)	-	(1)
Adjustments **(Note 1.3)**	-	-	(2 568)	-	(2 568)
At 31 December 2007	21 313	5 766	32 346	1 206	60 631
Carrying value					
At 1 January 2007	123 815	4 799	23 105	160	151 879
At 31 December 2007	121 883	6 263	28 499	300	156 945
Restated 2006					
Cost					
At 1 January 2006	141 394	9 919	52 365	1 209	204 887
Additions	959	507	1 529	175	3 170
Transfers	-	-	(1 018)	-	(1 018)
Disposals/write-offs	-	(853)	(225)	(93)	(1 171)
At 31 December 2006	142 353	9 573	52 651	1 291	205 868
Accumulated depreciation					
At 1 January 2006	15 783	8 945	31 276	1 104	57 108
Change - accounting estimate	-	(3 739)	(3 917)	-	(7 656)
Restated opening balance	**15 783**	**5 206**	**27 359**	**1 104**	**49 452**
Current year charge	2 755	415	2 376	119	5 665
Disposals/write-offs	-	(847)	(189)	(92)	(1 128)
At 31 December 2006	18 538	4 774	29 546	1 131	53 989
Carrying value					
At 1 January 2006	125 611	4 713	25 006	105	155 435
At 31 December 2006	123 815	4 799	23 105	160	151 879

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 2007 (CONTINUED)

4. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	N$'000
2007	
Cost	
At 1 January 2007	17 656
Additions	1 811
At 31 December 2007	19 467
Amortisation	
At 1 January 2007	15 761
Current year charge	2 512
Adjustment **(Note 1.3)**	(11)
At 31 December 2007	18 262
Carrying value	
At 1 January 2007	1 895
At 31 December 2007	1 205
Restated 2006	
Cost	
At 1 January 2006	16 534
Additions	1 147
Disposals/write-offs	(25)
At 31 December 2006	17 656
Amortisation	
At 1 January 2006	14 970
Change- accounting estimate	(33)
Restated opening balance	**14 937**
Current year charge	838
Disposals/write-offs	(14)
At 31 December 2006	15 761
Carrying value	
At 1 January 2006	1 597
At 31 December 2006	1 895

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2007 (CONTINUED)

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	2007 N$'000	Restated 2006 N$'000

5. CURRENCY INVENTORY - NOTES AND COINS

	2007 N$'000	Restated 2006 N$'000
Opening Balance	12 544	4 771
Purchases current year	30 456	12 325
Amortisation current year	(16 074)	(4 552)
Closing Balance	26 926	12 544

6. LOANS AND ADVANCES

	2007 N$'000	Restated 2006 N$'000
Staff loans	21 825	18 738
Less: Present value adjustment for off-market loans	**(3 401)**	**(2 557)**
Opening balance – 1 January	(2 557)	(2 470)
Restatement of the opening balance	-	789
Current year fair value adjustment of new loans	(2 727)	(2 077)
Amortised to Income statement	1 883	1 201
Add: Staff Long term benefit	**3 401**	**2 557**
Opening balance – 1 January	2 557	-
Restatement of the opening balance	-	1 681
Current year fair value adjustment of new loans	2 727	2 077
Amortised to Income statement	(1 883)	(1 201)
Net staff loans	21 825	18 738
Other loans	8 478	8 099
Short-term portion of loans **(Note 8)**	(8 741)	(9 759)
Closing balance	21 562	17 078

7. INVESTMENTS

	2007 N$'000	Restated 2006 N$'000
Rand currency		
Fair value through profit or loss		
Held for trading		
Debt securities	706 309	-
Held to maturity		
Money market instruments	2 115 068	1 226 329
	2 821 377	1 226 329
Other currencies		
Fair value through profit or loss		
Held for trading		
Euro – BIS FixBis	1 825 313	853 830
BIS – Euro 2 years MTY	279 519	129 777
BIS – USD 12 month FixBis account	-	267 880
US Securities	186 065	329 749
Held to maturity		
Money market instruments	1 435 545	540 940
	3 726 442	2 122 176
Total Investments	6 547 819	3 348 505

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2007 (CONTINUED)

8. LOANS AND ADVANCES

	2007 N$'000	Restated 2006 N$'000
Local banks	753 298	1 394 601
Repurchase agreements – local banks	127 521	114 849
	880 819	1 509 450
Add: Short-term portion of long-term loans **(Note 6)**	8 741	9 759
	889 560	1 519 209

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 loan facilities granted to the commercial banks to cover for temporary liquidity shortages. The over night 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. OTHER INVENTORY - STATIONERY AND SPARES

Opening Balance	2 086	945
Purchases current year	809	493
Inventory adjustment	-	1 102
Issues current year	(913)	(454)
Closing balance	1 982	2 086

10. OTHER ASSETS

Rand compensation receivable – Government	132 703	87 600
Accounts receivable	15 870	18 969
IMF – special drawing rights	209	195
	148 782	106 764

11. SHARE CAPITAL & CAPITAL MANAGEMENT

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 tranfered to the general reserve which forms part of the Bank's capital.

12. GENERAL RESERVE

Opening balance 1 January 2006	306 310	246 569
Prior year adjustment	-	10 159
Restated opening balance	**306 310**	**256 728**
Appropriation of net profit for the year	61 122	49 582
Closing Balance	367 432	306 310

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

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13. REVALUATION RESERVE

	2007 N$'000	Restated 2006 N$'000
Opening balance	587 381	345 858
Net foreign exchange gains	134 642	241 523
Closing balance	722 023	587 381

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.

14. BUILDING FUND RESERVE

Opening balance	10 000	-
Appropriation of net profit for the year	50 000	10 000
Closing Balance	60 000	10 000

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

15. DEVELOPMENT FUND RESERVE

Opening balance	10 000	15 000
Disbursement	(10 000)	(15 000)
Appropriation of net profit for the year	-	10 000
Closing balance	-	10 000

The reserve has been 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. However, it is to be noted that even though these amounts have been appropriated from the Bank's profits, 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 current financial year.

16. PROVISION FOR POST EMPLOYMENT BENEFITS

The Bank provides post-retirement 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 2007.

Opening liability	15 360	14 437
Interest costs	1 747	1 770
Current service costs	1 059	1 070
Benefit payments	(420)	(320)
Actuarial gains	(278)	(1 597)
Closing liability	17 468	15 360
Current portion of post employment benefits obligation	(477)	(420)
Non-current portion of post employment benefits obligation	16 991	14 940

Key assumptions
Discount rate 10 % p.a.
Medical inflation 7.32 % p.a.
Valuation date 31 December 2006

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2007 (CONTINUED)

17. NOTES AND COINS IN CIRCULATION

	2007 N$'000	Restated 2006 N$'000
Notes	1 235 703	1 094 925
Coins	88 046	78 420
	1 323 749	1 173 345

18. DEPOSITS

	2007 N$'000	Restated 2006 N$'000
Government of the Republic of Namibia	4 295 836	2 317 335
Domestic bankers' reserve account	309 427	283 350
Domestic bankers' current account	14 495	75 719
Syndicated loan facility measured at amortised cost	-	356 069
Bank of Namibia 52 day Bills measured at amortised cost	627 702	-
Other – Pre-funded donor funds at cost	87 019	99 879
	5 334 479	3 132 352

Banker's reserve and current account balances have no fixed maturity and attract no interest.

Interest is payable to the Government of the Republic of Namibia on deposits in excess of N$250 million (2006: N$250 milllion) 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$3.8 million.

The syndicated loan facility was obtained in the previous financial year and was designated as a financial liability measured at amortised cost. The loan facility was repaid in August 2007.

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.

19. TRADE AND OTHER PAYABLES

	2007 N$'000	Restated 2006 N$'000
Sundry creditors	38 288	18 299

20. GUARANTEES

The Bank guarantees a percentage of housing loans granted to employees by certain financial institutions. Twenty percent of the bond value is guaranteed by the Bank. Ten percent is provided by way of collateral security in the form of deposits at the respective financial institutions and the other ten percent by way of written obligation from the Bank. As at the end of 31 December 2007 the total obligations due by the Bank as regards to collateral securities for housing loan guarantees amounted to N$268 383 (2006: N$339 534).

21. 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$19.8 million. (2006: N$20.3 million). The Bank views the case as having no substance and is addressing it in conjunction with its legal advisors.

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22. 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$9 691 768 (31 December 2006: N$8 832 343).

23. 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.

24. 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:

24.1 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 passive investment strategy, whereby the Bank tracks a customised benchmark. The Bank's instruments are mark to market and thus the portfolio reflects market value at time of reporting.

24.1.1 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. Short duration portfolios (with duration less than 1 year) generally have low interest rate risk as opposed to high duration portfolios. The Bank uses the investment benchmark's target duration as a means of managing the interest rate risk. As at 31 December 2007, the modified durations of the EUR and USD portfolios were 0.59 and 0.24 respectively, implying a very low interest rate risk exposure. Such a duration conforms to the Bank's risk constraint of no negative returns over a 3-months investment horizon.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.1.1 INTEREST RATE RISK (CONTINUED)

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 2006.

IMPACT OF 100 BASIS POINTS SHOCK ON EUR PORTFOLIO - 2007

Instrument	Amount invested '000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 100% Shock	Estimate Total Return	Return Contribution	Effect on Income Statement N$ '000
Overnight	16 190	7.14%	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 '000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 100% Shock	Estimate Total Return	Return Contribution	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 minimises the impact of interest rate risk associated with rising interest rates.

IMPACT OF 100 BASIS POINTS SHOCK ON EUR PORTFOLIO - 2006

Instrument	Amount invested '000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 100% Shock	Estimate Total Return	Return Contribution	Effect on Income Statement N$ '000
Overnight	852	0.79%	3.45%	0.00	0.00	4.45%	4.45%	0.01%	78
1m FIXBIS	47 595	43.91%	3.48%	0.01	0.00	4.48%	4.47%	0.44%	4 337
12m FIXBIS	14 715	13.58%	3.66%	0.94	0.13	4.66%	3.72%	0.01%	83
2yr BIS MTI	45 221	41.72%	3.63%	1.75	0.73	4.63%	2.88%	-0.31%	(3 117)
	108 383	**100.00%**	**-**	**-**	**0.86**	**-**	**-**	**0.15%**	**1 381**

IMPACT OF 100 BASIS POINTS SHOCK ON USD PORTFOLIO - 2006

Instrument	Amount invested '000	Actual Portfolio Weight	Interest Rate	Duration	Dur Contr	Yield after 100% Shock	Estimate Total Return	Return Contribution	Effect on Income Statement N$ '000
Overnight	10 849	11.25%	5.22%	0.00	0.00	6.22%	6.22%	0.11%	757
Cash	-	0.00%	0.00%	0.00	0.00	1.00%	1.00%	0.00%	-
6m TB	31 793	32.98%	5.01%	0.48	0.16	6.01%	0.00%	-1.65%	(11 111)
12m FIXBIS	38 352	39.79%	4.48%	0.89	0.35	5.48%	0.00%	-1.78%	(11 984)
2yr T-Note	15 402	15.98%	4.78%	1.84	0.29	5.78%	3.94%	-0.13%	(903)
	96 396	**100.00%**	**-**	**-**	**0.80**	**-**	**-**	**-3.46%**	**(23 241)**

The sensitivity analysis for 2006 above indicates that the portfolios were exposed to higher interest rate risk when compared to 2007, as the EUR and USD portfolios had durations of 0.86 and 0.81 respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.1.1 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 2007

N$'000	0 – 3 Months	3 – 12 Months	1 - 5 Years	Non Interest Bearing	Total
Assets					
Property, equipment and intangibles assets	-	-	-	158 150	158 150
Inventory	-	-	-	28 908	28 908
Loans and advances - non current	-	-	21 562	-	21 562
Investment	5 193 590	888 645	465 584	-	6 547 819
Loans and advances – current	127 521	762 039	-	-	889 560
Rand cash	-	-	-	108 658	108 658
Other assets	-	-	-	148 782	148 782
Total Assets	**5 321 111**	**1 650 684**	**487 146**	**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	**383 078**	**1 650 684**	**487 146**	**(2 520 908)**	**-**

AS AT YEAR ENDED 31 DECEMBER 2006

N$'000	0 – 3 Months	3 – 12 Months	1 - 5 Years	Non Interest Bearing	Total
Assets					
Property, equipment and intangible assets	-	-	-	153 774	153 774
Inventory	-	-	-	14 630	14 630
Loans and advances - non current	-	-	17 078	-	17 078
Investment	2 505 207	698 178	145 120	-	3 348 505
Loans and advances - current	114 849	1 404 360	-	-	1 519 209
Rand cash	-	-	-	133 087	133 087
Other assets	-	-	-	106 764	106 764
Total Assets	**2 620 056**	**2 102 538**	**162 198**	**408 255**	**5 293 047**
Equity and Liabilities					
Shareholders' equity	-	-	-	953 691	953 691
Post employment benefits	-	-	-	15 360	15 360
Note and coins in circulation	-	-	-	1 173 345	1 173 345
Deposits	2 393 054	356 069	-	383 229	3 132 352
Trade and other payables	-	-	-	18 299	18 299
Total Equity and Liabilities	**2 393 054**	**356 069**	**-**	**2 543 924**	**5 293 047**
Interest rate repricing gap	**227 002**	**1 746 469**	**162 198**	**(2 135 669)**	**-**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.1.2 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 passively 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. Currently, the Bank targets to hold a fixed amount of R1 billion in ZAR for working capital purposes, with the residual of reserves held in the proportions of 60% in EUR and 40% in USD. The following is the benchmark portfolio used to manage this risk.

Instruments	ZAR Portfolio %	USD Portfolio %	EUR Portfolio %
Cash	100	10	10
1 Month FixBis	-	-	40
3 Month FixBis	-	-	-
12 Month FixBis	-	40	38
6 Month Treasury Bills	-	34	-
2 year BIS MTI	-	-	12
2 year Treasury note	-	16	-
Total	100	100	100

- The ZAR portfolio is restricted to cash instruments only and the portfolio parameters are arrived at using the 3 months investment horizon, with a worst case return requirement of 0 percent.
- The maximum maturity of any instrument is restricted to 2 years and not more than 40 percent of the portfolio can be invested in any single maturity point.
- Part of the portfolio invested in cash instruments has to be 10 percent at minimum so as to meet potential short-term outflows.

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

	N$ '000	ZAR '000	Eur '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 assets	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	5 334 479	-	-	-	-	5 334 479
Trade and other payables	38 288	-	-	-	-	38 288
Total Liabilities	**6 713 984**	**-**	**-**	**-**	**-**	**6 713 984**
Net Balance Sheet position	**(5 599 725)**	**3 063 134**	**2 276 868**	**1 448 130**	**1 048**	**1 189 455**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.1.2 CURRENCY RISK (CONTINUED)

AT 31 DECEMBER 2006 THE BANK HAD THE FOLLOWING CURRENCY POSITION EXPOSURES

	N$ '000	ZAR '000	Eur '000	US$ '000	Other '000	Total '000
ASSETS						
Property, equipment and intangible assets	153 774	-	-	-	-	153 774
Currency inventory – notes and coins	12 544	-	-	-	-	12 544
Loans and advances – non current	17 078	-	-	-	-	17 078
Investments	-	1 226 596	1 017 319	1 104 378	212	3 348 505
Loans and advances – current	1 519 209	-	-	-	-	1 519 209
Rand Cash	-	133 087	-	-	-	133 087
Other inventory – stationery & spares	2 086	-	-	-	-	2 086
Other assets	19 164	87 600	-	-	-	106 764
Total Assets	**1 723 855**	**1 447 283**	**1 017 319**	**1 104 378**	**212**	**5 293 047**
Liabilities						
Post employment benefits	15 360	-	-	-	-	15 360
Notes and coins in circulation	1 173 345	-	-	-	-	1 173 345
Deposits	2 776 283	-	-	356 069	-	3 132 352
Trade and other payables	18 299	-	-	-	-	18 299
Total Liabilities	**3 983 287**	**-**	**-**	**356 069**	**-**	**4 339 356**
Net Balance Sheet position	**(2 259 432)**	**1 447 283**	**1 017 319**	**748 309**	**212**	**953 691**

24.2 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 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 2007, all investments if required could be liquidated within two working days, reflecting the highly liquid nature of the portfolio.

LIQUIDITY RISK ANALYSIS STATEMENT AT 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	5 193 590	888 645	465 584	-	6 547 819
Loans and advances – current	127 521	762 039	-	-	889 560
Rand cash	-	-	-	108 658	108 658
Other assets	-	-	-	148 782	148 782
Total Assets	**5 321 111**	**1 650 684**	**487 146**	**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	**367 356**	**1 628 118**	**487 146**	**(2 482 620)**	**-**
Cumulative liquidity sensitivity gap	**367 356**	**1 995 474**	**2 482 620**	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.2 LIQUIDITY RISK (CONTINUED)

LIQUIDITY RISK ANALYSIS STATEMENT AT 31 DECEMBER 2006

N$'000	0 – 3 Months	4 – 12 Months	1 - 5 Years	No maturity	Total
Assets					
Property, equipment and intangible assets	-	-	-	153 774	153 774
Inventory	-	-	-	14 630	14 630
Loans and advances - non current	-	-	17 078	-	17 078
Investment	2 505 207	698 178	145 120	-	3 348 505
Loans and advances – current	114 849	1 404 360	-	-	1 519 209
Rand cash	-	-	-	133 087	133 087
Other assets	-	-	-	106 764	106 764
Total Assets	**2 620 056**	**2 102 538**	**162 198**	**408 255**	**5 293 047**
Equity and Liabilities					
Shareholders' equity	-	-	-	953 691	953 691
Post-employment benefits	-	-	-	15 360	15 360
Note and coins in circulation	-	-	-	1 173 345	1 173 345
Deposits	2 393 054	356 069	-	383 229	3 132 352
Trade and other payables	13 261	5 038	-	-	18 299
Total Equity and Liabilities	**2 406 315**	**361 107**	**-**	**2 525 625**	**5 293 047**
Liquidity sensitivity gap	**213 741**	**1 741 431**	**162 198**	**(2 117 370)**	**-**
Cumulative liquidity sensitivity gap	**213 741**	**1 955 172**	**2 117 370**	**-**	**-**

24.3 CREDIT RISK

This is the risk that the Bank's counterparty 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 the United States Government and the Bank of International Settlement (BIS).

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

Currency	Country/location	Country Ceiling	Correspondent Bank	Bank Short Term	Bank Long Term
AUD	Australia	AAA	WestPac Banking Corporation	F1+	AA-
CHF	Switzerland	AAA	Union Bank of Switzerland	F1+	AA+
EUR	EU	AAA	Dresdner Bank Frankfurt	F1+	A+
EUR	EU (Belgium)	AAA	Fortis Bank	F1+	AA-
GBP	United Kingdom	AAA	Standard Chartered Bank London	F1	A+
JPY	Japan	AAA	Bank of Tokyo – Mitsubishi	F1	A+
SEK	Sweden	AAA	Nordbanken	F1+	AA-
USD	USA	AAA	Citibank New York	F1+	AA
ZAR	South Africa	A	First National Bank of South Africa	F2	A-
EUR	EU	AAA	B.I.S. MTI EUR	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.3 CREDIT RISK (CONTINUED)

Currency	Country/location	Country Ceiling	Correspondent Bank	Bank Short Term	Bank Long Term
EUR	EU	AAA	B.I.S. Sight Account	-	-
EUR	EU	AAA	B.I.S. Fixbis	-	-
GBP	United Kingdom	AAA	Bank of England	-	A+
SDR	USA	AAA	IMF (SDR Holding)	-	-
USD	USA	AAA	Federal Reserve Bank New York	-	-
USD	USA	AAA	US Government	F1+	AAA
USD	USA	AAA	BIS	-	-
ZAR	South Africa	A	ABSA Bank	F1	A
ZAR	South Africa	A	Credit Agricole Indo- Johannesburg	F1+	AA
ZAR	Netherlands	AAA	ABN Amro Bank South Africa	F1+	AA-
ZAR	South Africa	A	Citibank South Africa	F1+	AA+
ZAR	South Africa	A	CPD	-	-
ZAR	South Africa	A	CPD	-	-
ZAR	South Africa	A	Investec	F2	BBB+

B

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	2007 N$'000	Restated 2006 N$'000
NON – RAND CURRENCY			
BIS Fixbis – Euro	A+	1 825 313	853 830
BIS Euro Sight a/c	A+	161 867	25 991
BIS Euro Sight a/c.	A+	279 519	129 777
Swift Shares – Euro	A+	245	224
Bank of England – GBP	A+	226	97
Fed Reserve – Auto Investment	AAA	41 890	102 358
BIS USD 12 Months Fixbis a/c.	0	-	267 880
Barclays Bank – Fixed Deposit – GBP	A+	-	51 403
SBSA Bon - USD Cash a/c	0	39	35
US Securities	F1+	186 065	329 749
Deutshe Bank London USD F/D	AA-	353 514	176 238
Fortis Bank Lome – Euro	AA-	8 274	7 335
STD Bank London Current a/c – GBP	A+	1	1
Dresdner Bank AG Current a/c – Euro	A+	1 863	163
Bank of New York - USD CD a/c	AA+	-	176 969
Bank of Tokyo Mitsubushi. Current a/c. – JPY	A+	15	-
Nordbanken Current a/c	AA-	21	9
UBS AG Zurich Current a/c	AA+	52	34
Citibank New York Current a/c.	AA+	2 337	13
Bank of Tokyo Mitsubishi Settlement a/c – JPY	A+	709	54
Westpac Banking Corp. Current a/c - AUD	AA-	24	16
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-	45 531	-
TOTAL NON-RAND INVESTMENTS		**3 726 442**	**2 122 176**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2007 (CONTINUED)

24.3 CREDIT RISK (CONTINUED)

	Credit rating	2007 N$'000	Restated 2006 N$'000
RAND CURRENCY			
Rand Currency - CPD	BBB+	1 813 152	1 187 741
ABN Amro ZAR call account	AA+	79	-
Cadiz ZAR account	-	349 289	-
Investec ZAR account	BBB+	357 020	-
Credit Agricole Indosuez	AA	865	3
Absa Call a/c	A	867	3
First Nat Bank SA-Main a/c	BBB-	4	38 582
Barclays Bank Fixed Deposit	AA+	300 101	-
TOTAL RAND INVESTMENTS		**2 821 377**	**1 226 329**

The Bank invests/buys securities in reputable institutions who are rated by Moody's, Standard & Poor etc, rating agencies. During the year under review none of the institutions where the Bank's investments are held were downgraded by the rating agencies. As such the Bank's exposure to credit risk 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.

24.4 SETTLEMENT RISK

This is the risk that the Bank is exposed to when settling or clearing transactions. The Bank faces this risk when the counterparty 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 counterparty at any given time in the deal cycle. For foreign exchange transactions entered into by the Bank, settlement limits will be 60% of maximum counterparty limit.

24.5 OPERATIONAL RISK

Like any other institutions, 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 detail 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 but 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 operations 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.

24.5 OPERATIONAL RISK (CONTINUED)

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 Director reviews all procedures, documentation requirements and the operational practices.

24.6 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.

25. CAPITAL COMMITMENTS

	2007 N$'000	Restated 2006 N$'000
Contracted	-	975

These capital commitments have been funded from internal resources.

26. RELATED PARTY INFORMATION

During the year the Bank, in its ordinary course of business, entered into various transactions. These transactions were undertaken 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:

Gross Emoluments

	Salaries N$'000	Retirement Benefit N$'000	Medical Aid Benefit N$'000	Total 2007 N$'000	Total 2006 N$'000
Executive Management					
Governor/Deputy Governor	2 738	367	53	3 158	2 820
Senior Management	4 687	792	140	5 619	5 100
Non-Executive Board					
Dr O Herrigel				62	63
Mr R Ritter				50	72
Ms T Itenge				-	29
Mr F Kisting				59	53
Ms O Netta				61	-
Dr N Shivute				-	-
Ms L Shapwa				-	-
Mr C Schlettwein				-	-

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

27. 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 21.
2. Provision for post employment benefits disclosed under note 16.
3. Evaluation of useful lives and residual values as disclosed under accounting policy note 1.3.
4. Accounting for off-market loans as disclosed under note 1.4.

PART C
ECONOMIC AND FINANCIAL DEVELOPMENTS IN 2007 AND OUTLOOK FOR 2008

PART C

ECONOMIC AND FINANCIAL DEVELOPMENTS IN 2007 AND OUTLOOK FOR 2008

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SUMMARY OF ECONOMIC DEVELOPMENTS

Owing largely to the negative effect of the US sub-prime mortgage market on global economic activities, the world economy recorded only moderate growth in 2007. The deceleration in economic growth is mainly due to a weaker performance in advanced economies, especially in the US and Japan. In contrast, growth in emerging market economies such as China and India was quite resilient and accounted for half of global growth over the past year. Furthermore, robust expansion continued in other emerging markets and developing economies, including low-income countries in Africa. However, the recent global financial market turmoil following the crisis in the sub-prime mortgage market in the US has increased downside risks, causing a downward revision of global growth projections from the 4.9 percent registered in 2007 to 4.1 percent for 2008. Such adverse development in the world economy emanating from the US sub-prime mortgage market has economic implications for Africa through reduced demand for commodities.

In Latin America, real GDP growth was satisfactory at 5 percent for 2007 and is expected to moderate to 4.3 percent during 2008 as a result of the effects of the contagion effect from emanating from a subdued US performance. In contrast, growth in the Middle East was a robust 5.9 percent and it is expected that it will remain more or less same in 2008 mainly due to record high international crude oil prices. Similar to growth developments in the Middle East, Sub-Saharan African enjoyed a strong growth record during 2007, with an overall growth rate of 6.1 percent. Assuming that commodity prices will remain high and the present record of prudent macroeconomic management continue, the region is expected to record a sanguine growth rate of 6.8 percent in 2008

The South African economy slowed to a moderate real GDP growth rate pace of 4.7 percent from a growth of 5.0 percent recorded during 2006 in part due to tight monetary stance. In the short to medium term, South Africa's real GDP growth is predicted to slow to 4.0 percent in 2008, before picking up slightly to 4.2 percent in 2009 and 4.6 percent in 2010, respectively. This is partly due to the capital and current expenditure effects of the 2010 FIFA World Cup.

Economic growth in Namibia is estimated to have slowed during 2007 to 3.8 percent from 4.1 percent in the preceding year. During 2007, persistent inflationary pressures were witnessed in Namibia as a result of high food prices, supported by high and volatile international oil prices. Increased food prices are attributed to the escalating cost of production, resulting mainly from rising fuel prices and other factors such as global milk shortages experienced during the year. In an effort to contain inflationary pressures, the Bank of Namibia tightened the monetary conditions by increasing the Bank rate by a total of 150 basis points during the year under review.

Namibia's external current account remained robust in 2007, as reflected by the developments in the balance of payments. The surge in the overall surplus of the balance of payments arose mainly from a significant current account surplus, following sizeable inflows in mineral export receipts and revenue from SACU. Furthermore, the Namibia Dollar depreciated against the US Dollar, Pound Sterling and Euro during 2007. The depreciation against these three major currencies was mainly driven by financial market turbulence that stemmed primarily from a rising wave of risk aversion towards emerging markets. On a trade-weighted basis, both the nominal and real effective exchange rate indices continued depreciating during 2007, while Namibia's terms of trade improved.

Regarding the monetary and financial sector, significant developments were the tight monetary policy, moderate domestic credit extension, and increased liquidity. As a response to increasing inflation recorded in the country during 2007, an environment of rising interest rates emerged in the economy. In line with these developments, growth of domestic credit extended by the banking sector moderated, especially during the second half of the year. Nevertheless, strong balance sheet positions for companies, especially those in the mining sector, augmented by a slowing down in credit extension, led to high liquidity in the banking system.

On the fiscal front, Namibia is geared towards fiscal prudence and discipline as part of the overall macroeconomic strategy necessary in laying a foundation for sustainable economic development. In 2006/07, the country achieved its first budget surplus since Independence. Another surplus, amounting to 1.1 percent of GDP, is projected for 2007/08. The redemption of the GC07 in July 2007 was instrumental in bringing about a decline in public debt to 21.8 percent of GDP. This ratio is both below the debt target of 25 percent of GDP and the 'BBB' Fitch rating median of 29 percent. However, these budget surpluses recorded in 2006/07 and 2007/08 is projected to turn into a substantial deficit of N$1.6 billion, or 2.7 percent of GDP in 2008/09 due to a huge increase in government spending while revenue increased more slowly than expenditure. It is important to note that this budget deficit of 2.7 percent of GDP is, however, within government's target of 3 percent of GDP.

Overall domestic economic conditions in the Namibian economy remained favourable in the year under review. This was reflected in record-high surplus on the overall balance of payments and the first-ever surplus on the fiscal sector. Despite these positive developments and outlook, huge challenges remain.

These include high unemployment, poverty, and the challenges associated with the HIV/AIDS pandemic. There is also concern about the competitiveness of the Namibian economy. Hence, it is necessary to take the opportunity of this general improvement in economic conditions to accelerate structural reforms that will put Namibia on a firm and sustainable path of growth in order to create jobs and reduce poverty.

It would also be important to implement measures aimed at reducing the cost of doing business in Namibia, introducing more flexibility in the labour market and further refining the monetary and fiscal policy framework. With respect to the refinement of the fiscal policy framework in particular, there is scope to further strengthen revenue collections through a combination of tax reform measures and institutional reforms, such as the establishment of an independent revenue collection body.

It is also hoped that, through the Education and Training Sector Improvement Programme, the acute skills gap that characterises the Namibian economy would be sufficiently addressed to ensure that the country build the bridge to and participate in the knowledge-driven global economy.

Going forward, output growth might also be significantly moderated by power shortages, and it is hoped that a short-term solution to this problem could be found expeditiously.

THE GLOBAL ECONOMY

WORLD OUTPUT GROWTH AND OUTLOOK

Global economic growth slowed to 4.9 percent during 2007, from 5.0 percent in 2006. Accounting for this moderation is the recent global financial market turmoil following the crisis in the sub-prime mortgage market in the US. The slowdown was, however, somewhat counteracted by robust performance in emerging market economies, which were the main drivers of the global economic expansion in 2007. Major emerging market economies, particularly China, India and Russia, accounted for half the global growth over the past year. Furthermore, robust expansion continued in other emerging markets and developing economies, including low-income countries in Africa (Table C.1). For instance, real GDP growth for Africa was projected to have expanded by 6.0 percent in 2007. The recent improvement in Africa's growth performance is a result of, amongst other variables, strong global demand for (fuel and non-fuel) commodities, favourable commodity prices, improved macroeconomic policies in several African countries, debt relief, increased capital inflows, and increased agricultural production. Nevertheless, adverse developments in the world economy can have important economic repercussions for Africa, for example through reduced demand for African commodities. Going forward, the world economy is projected to slow to 4.1 percent during 2008, from 4.9 percent in 2007, mainly due to the financial market turbulence and a weakening outlook for the US and other advanced countries. Growth in emerging markets and developing economies is, however, expected to remain strong and help offset a slowdown in the US amid concerns of a possible recession.

Table C.1: World GDP growth

Regions	2005	2006	2007*	2008*
Brazil	2.9	3.7	4.4	4.0
China	10.4	11.1	11.4	10.0
Euro Area	1.5	2.8	2.6	1.6
India	7.4	8.0	7.2	6.8
Japan	1.9	2.4	1.9	1.5
Latin America	4.6	5.5	5.0	4.3
Middle East	5.4	5.6	5.9	5.9
Namibia	**4.8**	**4.1**	**3.8**	**4.7**
Russia	6.4	6.7	7.0	6.5
South Africa	5.1	5.0	4.7	4.2
Sub-Saharan Africa	6.0	5.7	6.1	6.8
United Kingdom	1.8	2.8	3.1	2.3
United States	3.1	2.9	2.2	1.5
World output	4.8	5.4	4.9	4.1

* Forecast
Source: International Monetary Fund, World Economic Outlook Update (2008) and BoN's Economic Outlook

Real GDP growth in the US slowed to 2.2 percent in 2007, from 2.9 percent in 2006. This is mainly due to the downturn in the housing market, which continued to affect the economy adversely. Moreover, private consumption and residential investment continued to draw back economic growth during 2007. Looking forward, US growth is expected to slow to 1.5 percent in 2008 as a result of the deepening effects of the housing market correction and financial market turmoil. Higher energy costs are also likely to take their toll on real consumption growth. Nevertheless, the strong foreign demand and the weaker US Dollar exchange rate should support exports and, thus, GDP growth. Furthermore, business investment spending is expected to strengthen due to healthy balance sheets and limited spare production capacity. There are, however, downside risks to the outlook, such as the continuing turmoil in the financial markets, the downturn in the sub-prime mortgage market, and the recent slowdown in productivity growth attributed to structural factors. A rescue package by the US Government may mitigate the effects of the financial turmoil and help prevent a possible recession.

The Japanese economy was estimated to have registered an annual economic growth rate of 1.9 percent during 2007, representing a slight decrease from 2.4 percent in 2006. The decline was largely driven by weaker consumption growth as well as subdued investment expenditure. The outlook for the Japanese economy remains restrained, with real GDP growth expected to slow to 1.5 percent during 2008, due mainly to a downturn in the global economy and underpinned by the financial market turmoil.

Growth for the Euro Area was estimated to have slowed to 2.6 percent in 2007, from 2.8 percent in 2006. Underpinning this positive albeit low growth are higher export earnings and expenditure on investment. For 2008, it is projected that GDP growth for the Euro Area will be 1.6 percent. Growth in the Euro Area is expected to be mainly underpinned by Germany's GDP growth. There are downside risks to the outlook, particularly the negative effect of the turmoil in the US sub-prime mortgage sector on European financial markets due to the exposure of a number of European banks to this market, mainly through off-balance-sheet vehicles.

The Chinese economy is estimated to have expanded by 11.4 percent in 2007. Accounting for this robust growth rate are developments in export and accelerated investment. Going forward, the economy is expected to register an annual growth rate of 10.0 percent in 2008. Echoing the growth rate in the Chinese economy, the Indian economy was estimated to have registered a brisk growth rate of 7.2 percent during 2007, underpinned by gains in domestic investment demand. However, the Indian economy is forecast to slow to 6.8 percent in 2008. The downside risks to both the Chinese and Indian economies are mainly slower demand for Asian exports, particularly in electronic goods, as well as the continued global financial market turbulence.

In Latin America, following a satisfactory GDP growth of 5.5 percent in 2006, the pace remained slowed to 5.0 percent in 2007. Going forward, projections show that economic activities will slow to 4.3 percent in 2008. This slowdown can mainly be attributed to a contagion effect from the US. Moreover, the fact that these economies trade intensively with the US, particularly Mexico and countries in Central America will negatively affect their exports to the US in the short to medium term.

Average growth in Russia was estimated at 7.0 percent in 2007, easing to 6.5 percent in 2008. This growth will be underpinned by higher international prices of commodities and strong domestic investments.

In the Middle East, strong growth was recorded, driven mainly by rising oil revenues. The downside risks are mainly associated with the slowdown in the US and the political tension in the region. The weakening US Dollar could also aggravate the already persistent inflationary pressures.

Sub-Saharan Africa (SSA) enjoyed yet another strong year, with overall growth in the region projected to rise from 5.7 percent in 2006 to 6.1 percent for 2007. The acceleration in growth during 2007 can mainly be attributed to the coming on-stream of new production facilities in oil-exporting countries such as Angola and Nigeria. Moreover, a favorable external environment, improved macroeconomic policies, and the rising openness of SSA economies are some of the factors that explain this robust growth performance. The challenges ahead for SSA remain keeping up or achieving high growth rates, and building strong institutions that will help to sustain improved macroeconomic management. Other challenges facing SSA include ensuring improved governance, developing infrastructure, and providing a business environment that will foster productivity. Furthermore, SSA countries need to adopt policies that will continuously improve on their competitiveness (Table C.2).

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Table C.2: Growth competitiveness index rankings[4] for selected SADC countries

Country	Rank amongst African countries included	Score
Angola	24	2.60
Botswana	1	4.56
Madagascar	21	2.84
Malawi	12	3.36
Mauritius	4	4.12
Mozambique	20	2.91
Namibia	**5**	**3.99**
South Africa	3	4.37
Tanzania	9	3.49
Zambia	17	3.10
Zimbabwe	22	2.84

Source: World Economic Forum (2007)

[4] The Growth Competitiveness Index identifies three pillars in the evolution of growth in a country: the quality of the macroeconomic environment, the state of the country's public institutions, and the level of its technological readiness.

Although there was a moderation in growth, the South African economy is estimated to have registered a respectable growth rate of 4.7 percent during 2007. The key factors which underpinned a positive performance have been developments in the telecommunication services sector, which continued to expand vigorously, supported by improvements in technology and price reductions in some areas. Furthermore, favourable conditions in the financial and real estate markets continued, accompanied by strong demand for credit and banking services, while the trade sector benefited from strong domestic expenditure. The economy is projected to slow to 4.2 percent in 2008 mainly due to slowing global growth, softer growth in household spending as a result of higher interest rates and the impact of electricity shortages on the domestic industry.

KEY CENTRAL BANKS' MONETARY POLICY STANCES AND INTEREST RATES

The monetary policy stances of key central banks were mixed during 2007 (Table C.3). In an effort to spur growth and restore market stability, the US Federal Reserve reduced its key federal funds rate by 25 basis points to 4.25 percent from 4.50 percent at its December 2007 meeting to stimulate consumer spending and boost economic growth. This cut was coupled with the injection of extra liquidity by the Federal Reserve, aimed at mitigating the negative effects brought about by the sub-prime mortgage market collapse. In total, the Federal Reserve reduced the federal funds rate by 100 basis points during 2007 to stimulate economic growth. Inflation averaged 2.9 percent for 2007.

Table C.3: Bank rates, interest rates and inflation rates – selected countries

Country	Key targeted rate	Latest rate (percent)	Last change	Change (percentage points)	Latest Inflation (percent)	Latest real interest rate (percent)
US	Federal funds rate	4.25	11/12/07	-0.25	4.1	0.15
Euro Area	Refinance rate	4.00	06/12/07	+0.25	3.1	2.30
United Kingdom	Base rate	5.5	06/12/07	-0.25	2.1	3.4
Japan	Overnight rate	0.50	20/12/07	+0.25	0.0	0.50
China	Lending rate	7.47	16/10/07	+0.27	6.5	0.97
South Africa	Repo rate	11.00	06/12/07	+0.50	8.6	2.40

Source: Standard Bank South Africa, 2007

The Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50 percent during its December 2007 meeting. Similarly, at its December 2007 meeting, the European Central Bank decided to leave its key bid rate unchanged at 4.0 percent. The European Central Bank held the view that the medium-term outlook for price stability remained subject to upside risks such as high employment figures, as supported by recent data.

Inflation in China moderated to 6.5 percent in December, from 6.9 percent in November, mainly on the back of rising food prices. In December, the People's Bank of China raised the minimum reserve requirements for banks by a further 100 basis points to 14.5 percent, thus continuing with its tightening monetary policy.

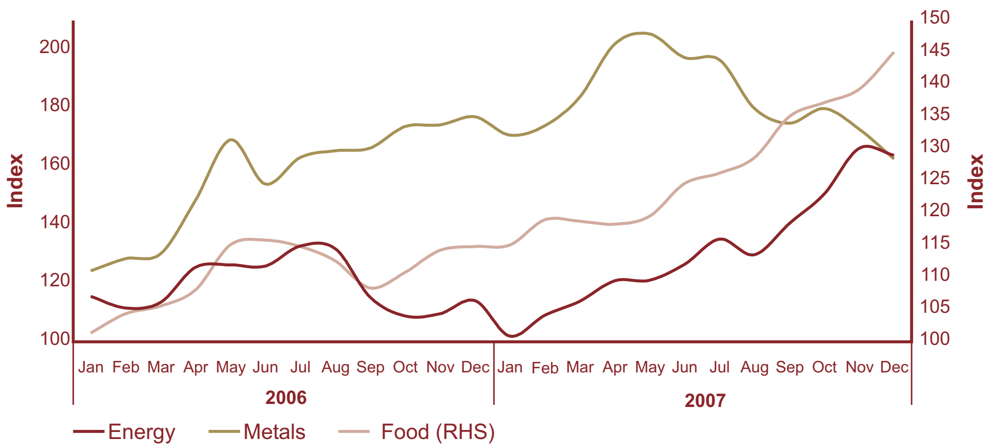
The South African Reserve Bank continued with its monetary policy tightening cycle at its December 2007 meeting, increasing the repo rate by a further 50 basis points to reach 11.0 percent.

COMMODITY PRICE DEVELOPMENTS

Commodity markets were generally firm throughout 2007. The IMF commodities and energy price index rose by 21.0 percent during 2007, largely driven by the resurgence in oil prices and supported by rising metal and food prices (Chart C. 1). Oil prices have risen toward record highs again, against the backdrop of limited spare production capacity, while food prices have been boosted by supply shortages and the increased use of bio-fuels.

The IMF metal price index (non-energy) rose by an average of 8.75 percent during 2007, despite some losses amid sell-offs during the recent financial turmoil (Chart C.1).The major drivers of the developments in the commodity price index for 2007 were mainly lead, copper and tin. The price of copper was mainly influenced by increased demand from China for purposes of restocking. On the other hand, uranium prices rose markedly during the first half of 2007 before declining slightly during the second half. The increase was mainly due to increased demand for nuclear energy. According to the Energy Information Agency (EIA) of the United States the price of crude oil per barrel is expected to remain high throughout 2008. This forecast is underpinned by slower economic growth, which will result in slower demand. It is expected that metal prices will soften from recent highs, although rising production costs will limit the decline. Similarly, food prices are expected to moderate over the medium term, although demand for bio-fuels could continue its price impact.

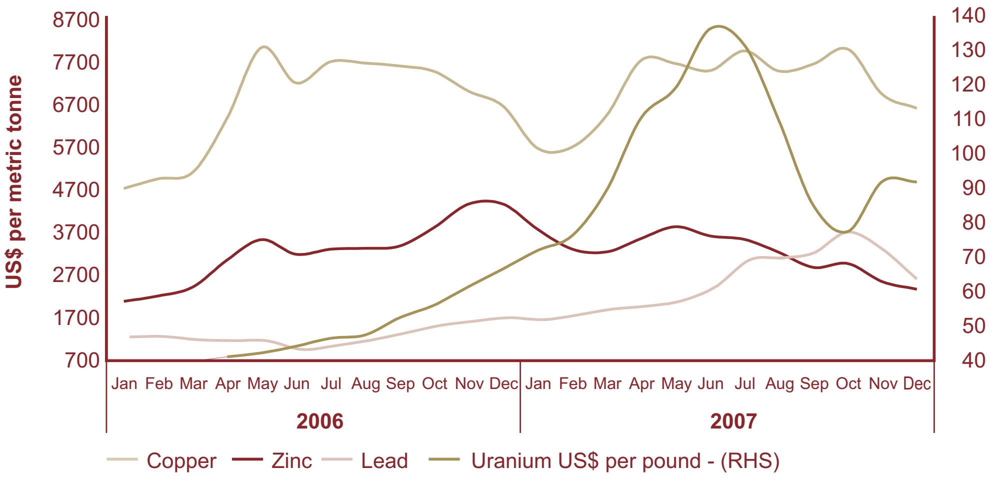
Chart C.1: Selected commodity price indices



Source: IMF, 2007

Strong global growth, especially the rapid expansion of output in emerging markets and developing economies, is largely responsible for the rise in commodity prices over the past several years (Chart C.2).

Chart C.2: Selected commodity prices



RHS = right-hand side
Source: IMF, 2007

DEVELOPMENTS IN MAJOR FINANCIAL AND CAPITAL MARKETS

After an extended period of exceptionally favourable financial market conditions, in recent times international financial markets have entered a difficult period. Available evidence indicates that credit and market risks have risen, thereby leading to increased market volatility. Driving the recent developments in global financial markets have mainly been events in the US sub-prime mortgage market. Furthermore, risks have been intensified by signs of credit indiscipline on the side of the leveraged buyout sector. According to the IMF's September 2007 Global Financial Stability Report, the benign economic and financial conditions of recent years have weakened incentives to conduct due diligence on borrowers and counterparties.

The US sub-prime mortgage market experienced significant stress from early in the year, with further deterioration since then. The market has suffered from rising delinquencies on principal as well as interest payments. This deterioration mainly reflects a combination of lax underwriting standards and adverse trends in employment and income in certain regions. The crisis in this market segment extended beyond the US to the European and Asian investors active in the asset-backed securities and related markets. In fact, a handful of European institutions have already reported difficulties due to their exposure to the US mortgage markets and the withdrawals of their short-term funding. Furthermore, more European banks are believed to be exposed to the indirect market-to-market losses stemming from their credit lines to conduits and structured investment vehicles in the US. Within the Asia Pacific region, various market analyses suggest that exposure to mortgage-related products is concentrated in Japan, Australia, the Taiwan Province of China, and the Republic of Korea. Overall, emerging market risks remain low relative to historical experience, with many countries benefiting from improved macroeconomic fundamentals and strong external balances. Nevertheless, developments in mature markets raise concerns that vulnerabilities may be growing in emerging markets related to a weakening of credit and market discipline in global markets, with some emerging market economies more exposed than others.

INTERNATIONAL TRADE DEVELOPMENTS[5]

During the period under review, global trade is estimated to have expanded vigorously. Available data show that world merchandise exports grew by 8.0 percent in 2006, compared with 6.5 percent in the preceding year (Table C.4). The strong global macroeconomic situation provided a favourable environment for the expansion of international trade. In particular, trade expansion can be attributed to a marked recovery in Europe's export and import growth, and strong economic activities in emerging markets. High commodity prices also explain the higher growth rate of trade in merchandise.

Table C.4: Growth in the volume of world merchandise exports and production, 2004–2006 (annual percentage change)

Percentage change from a year earlier	2004	2005	2006
World merchandise exports	**9.5**	**6.5**	**8.0**
Agricultural products	4.0	6.0	6.0
Fuels and mining products	6.0	3.5	3.0
Manufactured goods	11.0	7.5	10.0
World merchandise production	**5.0**	**3.5**	**3.0**
Agriculture	5.0	1.5	1.0
Mining	4.5	1.5	1.0
Manufacturing	5.5	4.0	3.5
World GDP	**4.0**	**4.8**	**5.4**

Sources: World Trade Organisation (2007); International Monetary Fund (2007)

5 This section covered the period 2006 to June 2007 due to data limitation.

Table C.5: Merchandise trade by region, 2004–2006 (annual percentage change, at constant prices)

Regions	Exports			Imports		
	2004	2005	2006	2004	2005	2006
Africa and Middle East	8.0	5.0	1.0	14.0	13.0	8.5
Asia	15.5	11.5	13.5	14.5	8.0	8.5
China	24.0	25.0	22.0	21.5	11.5	16.5
Commonwealth of Independent States	12.0	3.5	3.0	16.0	18.0	20.0
Europe	7.0	4.0	7.5	7.0	4.0	7.0
European Union[6]	7.0	4.0	7.5	6.5	3.5	6.5
India	15.5	20.5	11.5	16.0	20.5	12.0
Japan	13.5	5.0	10.0	6.5	2.0	2.0
Northern America	8.0	6.0	8.5	10.5	6.5	6.5
South and Central America	13.0	8.0	2.0	18.5	14.0	10.5
United States	8.5	8.0	10.5	11.0	6.0	5.5
World	10.0	6.5	8.0	n/a	n/a	n/a

Source: WTO (2007)

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In the US, merchandise exports rose by 10.5 percent in 2006 (Table C.5). Weaker domestic demand in the US, a lower real effective US Dollar exchange rate, and stronger global demand contributed to this favourable development. In contrast, growth in imports declined slightly to 5.5 percent, from 6.0 percent in the preceding year. This development is partially explained by the slowdown in the US economy as a result of the financial turmoil unleashed by a meltdown in the US mortgage market.

Asian exports grew by 13.5 percent which is higher than its import growth of 8.5 percent in 2006. At 13.5 percent, Asia's merchandise exports remained the most buoyant of all regions. This remarkable growth is mainly attributed to the region's major economies of China, India and Japan. China's merchandise trade expansion remained strong during the period under review, with office and telecom equipment continuing to be the mainstay of Chinese exports growth, while traditional exports such as clothing and new products such as iron and steel are making significant gains. Available data indicates that, in 2006, the value of China's manufactured exports surpassed those of the US for the first time, having exceeded Japan's already in 2004.

Europe recorded balanced growth in its exports and imports, namely 7.0 percent for both categories. Of importance is that European Union (EU) countries recorded variations in their trade performance, with double-digit export growth observed in Baltic States, Finland and Turkey. Germany and the United Kingdom (UK) recorded export and import growth well above the EU average. In contrast, Italy and Spain recorded sluggish trade growth, while there was stagnation in France and Ireland. While the European performance in merchandise trade was below the world average, Europe remains the largest exporter of business services – with 54.0 percent of world exports in 2006.

The commodity-exporting regions of Central America, the Commonwealth of Independent States, and the Middle East recorded a mild 2.0 percentage-point increase in their export volumes, while their imports increased significantly up to over 20.0 percent in some instances. Notwithstanding the surge in commodity demand, most African exports are estimated to have practically stagnated,[7] while imports continued to expand somewhat faster (at 8.5 percent) than the global average. The increased imports consisted mainly of automobile products, mining equipments, and other manufactured goods. The high import bills are primarily a reflection of the higher income available resulting from the boom in commodity prices.

Of particular concern is that Africa's share of total merchandise exports remained relatively small and insignificant, especially for manufactured goods, where the share stands at less than 2.0 percent. In this regard, African countries are challenged to diversify and broaden their industrial base to avoid further marginalisation in world trade.

With regard to trade liberalisation, the key issue remains the ongoing Doha Development Round of negotiations at the WTO. So far, the discussions have focused mainly on issues related to market access, and on the negotiation modalities in agriculture and for non-agricultural products. Attempts have been made to intensify negotiations in the areas of services, trade facilitation and intellectual property. By the end of 2007, the expectation was that no breakthrough in the negotiations was expected

6 The data is based on the 25 member countries of the EU.
7 The increased commodity prices did not necessarily translate into increased production volumes for products such as oil. The exceptions were increased uranium production and exports.

in the near future. This will pave the way for the conclusion of the Round, hopefully in 2008. On a bilateral level, an important development was the partial conclusion of trade negotiations between the EU and African, Caribbean, and Pacific (ACP) countries on the establishment of EPAs. This interim EPA is detailed on page 123 of this report.

THE IMPACT OF GLOBAL TRADE DEVELOPMENTS ON NAMIBIA

The dynamic expansion in international trade bodes well for the Namibian economy due to its small and open nature. Of particular benefit to Namibia is the commodity price boom of recent times. Moreover, the initialisation of the Interim EPA by the Government of Namibia ensures a continued preferential market access of Namibian products such as beef and grapes into the EU market as least in the short-term. There are, however, concerns that this situation could change for the worse if a full and mutually beneficial EPA is not concluded.[8] Once the EPA negotiations have been concluded and all outstanding issues dealt with, Namibian exports are poised to continue benefiting from the EU market. Overall, the Namibian economy and its exports may be affected by the expected slowdown in the US economy, including a possible recession in the US in 2008.

THE US SUB-PRIME MORTGAGE CRISIS

Introduction and background

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The year 2007 saw a crisis in the sub-prime mortgage market across the US, which had a devastating effect on global financial markets, resulting in a decline in stock markets and huge financial losses. The crisis forced monetary authorities in the US and Europe in particular to inject liquidity into the market in order to mitigate the effects of the credit crunch. What started as a residential mortgage problem in the US is now squeezing the ample liquidity in the global financial markets and threatening the outlook for global economic growth and financial stability.

What is the sub-prime mortgage market, and how did the crisis originate?

The sub-prime mortgage market refers to that segment of the financial market where mortgage credit is granted to borrowers with a poor credit history (a history of defaults, no down-payments, no verification of assets). At the root of the problem is the breakdown of the new model of mortgage lending, where banks increasingly turned to mortgage brokers and relied on the ratings agencies for assurances that the mortgage securities they were buying were indeed investment-grade. Some of these borrowers were financially not in a position to repay the principal, while others qualified only for paying the interest charges over the short term. This new model did not impose the same discipline on banks regarding credit quality ratings and prudent behaviour. More specifically, banks chose not to use their own in-house bank managers to assess the creditworthiness of their borrowers and evaluate the real value of the houses they were lending. This key function was performed by mortgage brokers and rating agencies.

Of major interest is that the banks' obligations were initially taken onto the balance sheet, but were removed at a later stage through securitisation[9]. This practice developed into a sophisticated process in terms of which banks packaged loans into securities that were sold to other financial institutions. Financial institutions repackaged these securities together with other debts into collateralised debt obligations (CDOs). Moreover, banks created structured investment vehicles (SIVs) to assist these off-balance-sheet credit activities.

Generally, securitisation was seen as a means to reduce the credit risk to banks, and high-risk credit transactions were passed on to institutions that were geared to take on higher risk that carried a higher yield, such as hedge funds. Many of these securitised packages were sold on international markets, involving banks in France, Germany, Japan, and the UK. In the process, banks created space for new credit.

The boom in the US housing market was supported by relatively low interest rates. These low rates were largely the result of international imbalances with countries – the EU, oil-producing countries, Japan and emerging market countries, particularly in Asia – having large current account surpluses (savings) that

[8] In the long-run there is a need to design and implement EPAs which are fully agreed upon by the EU and the ACP countries. For a full discussion on EPA realted issues, refer to thr EPA highlights on page 81

[9] Securitisation refers to a process through which an issuer creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instruments to investors. The process, which can encompass any type of financial asset, promotes liquidity in the marketplace. Mortgage-backed securities are a perfect example of securitisation. By combining mortgages into one large pool, the issuer can divide the large pool into smaller pieces based on each individual mortgage's inherent risk of default, and then sell those smaller pieces to investors.

invested heavily in US financial assets. This contributed towards increased liquidity in financial markets, with downward pressure on US long-term interest rates. As interest rates rose, many borrowers started defaulting, resulting in some lenders becoming insolvent and the securities backed by these loans becoming worthless. As can be expected, liquidity in the money market was drained away – with devastating effects on credit availability. Banks became reluctant to lend money on the interbank market because the exposure of banks to SIVs was unknown and not transparent. These developments converged into a credit crunch[10].

Extent of the crisis and policy intervention

In the US, over 100 mortgage lenders have been forced to close, with major international financial houses such as Merill Lynch and Citi Bank recording huge losses. In the UK, clients had a run on one of the Banks, demanding their deposits in cash. This, in turn, prompted the UK Government to offer extra liquidity. The value of quoted bank shares on the stock exchange, particularly in New York, fell sharply. Loss estimates vary due to the availability of information and differences in valuation methods, but experts estimate that the total losses facing the financial sector could amount to between US$100 billion and US$450 billion at the end of 2007. Many banks have losses that have been concealed in off-balance-sheet instruments like SIVs. Banks and investment houses, which are the most exposed, could find their profits and much of their capital base eroded. In order to restore their profits and remain solvent, these banks have been forced to sell off many assets, lay off workers, and limit their lending.

The reaction of central banks has been mixed. The US Federal Reserve, the European Central Bank, the Bank of Japan and other central banks have injected billions of US Dollars into the market to prevent a breakdown in lending. By bailing out one of the affected banks, the Bank of England went further, while the US Federal Reserve not only injected more funds into the market, but also reduced the Federal Funds rate. Although these policy measures relieved the pressure on the money and interbank markets, despite the recovery in the flow of funds, a banking crisis persisted.

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Impact on the CMA

The banking system in the CMA has been largely unaffected by the sub-prime crisis. This is because the CMA banking system has little exposure to the sub-prime market. The only effect felt during the year under review was in the exchange rate between the Namibia Dollar and the US Dollar, with a depreciation to over N$7.60. The depreciation was caused by the fact that the sub-prime mortgage crisis triggered risk aversion towards emerging market economies, including South Africa, resulting in a reversal of investments. As a result, this perception caused the weakening of the Rand, especially in the third quarter. Furthermore, by the end of the period under review, there was no evidence that the sub-prime crisis would have an impact on Namibia's real economic activities. However, economic activities in Namibia may slow down mainly through the low demand for commodities in the international markets.

Conclusions and policy implications

The sub-prime mortgage crisis in the US can be described as a major institutional failure. Its effects on the financial, as well as the real sector are far-reaching. They are unlikely to be of a short-term nature, however, and the world will have to prepare itself for the full effect of the crisis over a number of years. The crisis will have a global growth-inhibiting effect, but this will be more evident in the US, particularly in 2007 and 2008. The extent of this is still uncertain, but the downward direction in economic growth is already becoming evident. In fact, some economists expect the US economy to go into recession.

While the bail-out of specific banks is a welcome measure in the short term, this may also encourage moral hazard[11]. For the long term, it is essential that a sound regulatory and supervisory framework is in place to detect undesirable developments that could lead to a crisis such as the one from the sub-prime mortgage market. In this regard, the overhaul of the regulatory measures is clearly imperative, especially in the US, with a view to securing sound financial practices in the future. Finally, it is vital that banks be required to perform their own in-house analyses on asset quality and lender creditworthiness, rather than leaving this important function to the rating agencies. Such agencies appear to rely too heavily on historical data, which also appear to be ineffective within the dynamic framework of securitisation.

[10] A credit crunch is a situation that occurs when banks suddenly stop lending, or when bond market liquidity evaporates, usually because creditors have become extremely risk-averse.

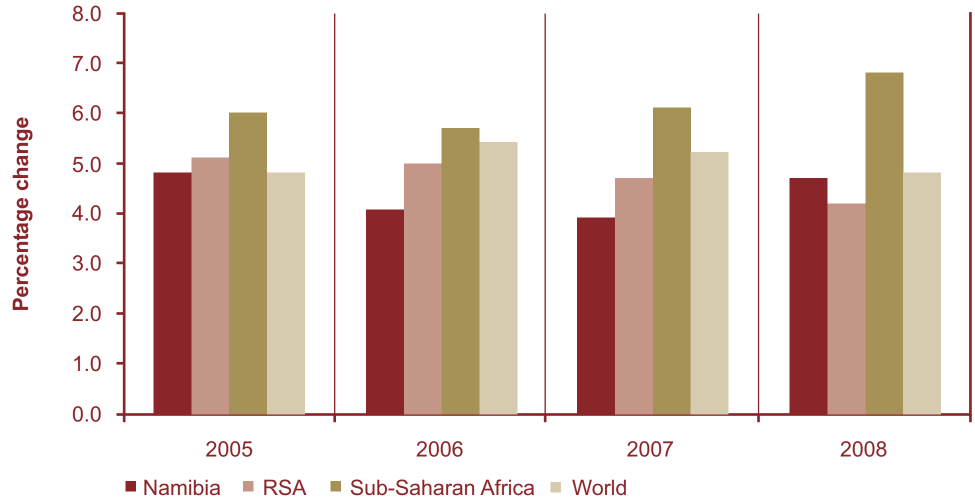
[11] One of two main sorts of market failure often associated with the provision of insurance, moral hazard means that people with insurance may take greater risks than they would do without it because they know they are protected. So the insurer may get more claims than it bargained for.

THE DOMESTIC ECONOMY

REAL ECONOMIC DEVELOPMENTS AND OUTLOOK

The domestic economy's rate of growth during 2007 is estimated to have slowed by 0.3 percentage points to 3.8 percent, from 4.1 percent in the preceding year (Chart C.3). This slowdown is in part due to declining growth in the global economy, which fell by 0.1 percentage points to 4.9 percent over the same period. Similarly, economic growth in South Africa slowed by 0.3 percentage points, to 4.7 percent. This is a plausible indication that Namibia continues to be driven by economic developments in her major trading partners, not only in the SADC region, but in economies elsewhere as well. This underscores the importance of broad-based economic diversification that will make the economy less vulnerable to exogenous shocks.

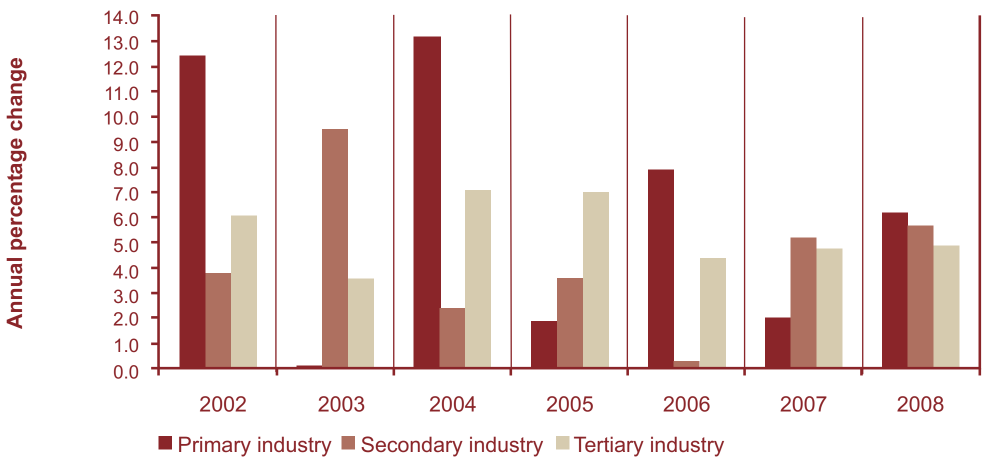
Chart C.3: Annual changes in real GDP



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

The growth in real GDP during 2007 was relatively broad-based as all major industries recorded positive growth rates (Chart C.4). The secondary industries, in particular, performed well during 2007, while the performance of the primary industries slowed due to lower diamond production. Projections for 2008 are that the economy will increase by 4.7 percent, mainly supported by a rebound of the primary sector based on increased uranium production. However, availability of sufficient power supply and risks associated with the sharper than anticipated global slowdown pose significant downside risks to this outlook.

Chart C.4: Real GDP and industries

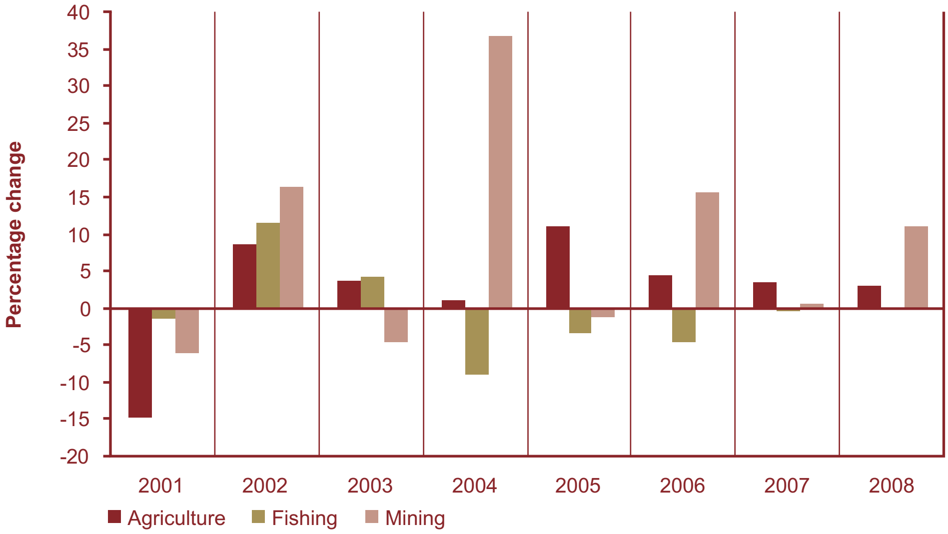


Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

PRIMARY INDUSTRIES

The growth in value added for the primary industries[12] in 2007 slowed to 1.1 percent, from 7.9 percent in the preceding year. The slowdown was mainly reflected in the growth of the mining and quarrying sub-sector, which slowed to 0.4 percent in 2007 from 15.4 percent in 2006 (Chart C.5). Agriculture and forestry's pace of growth in value added over the same period also slowed, reaching 3.2 percent from 4.2 percent. The performance of the fishing sub-sector continued to worsen, albeit at a lower rate of decline of 0.4 percent in comparison with the 4.8 percent recorded during the preceding year. Looking ahead, growth in value added of the primary industry is projected to increase by 6.5 percent in 2008, mainly on account of improved mining and agriculture output.

Chart C.5: Primary industry real growth rates



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

MINING

Despite improved international mineral prices, value added of the mining and quarrying sub-sector slowed significantly to 0.4 percent in 2007, from a growth of 15.4 percent in 2006. This sub-optimal performance was reflected in a slowdown in value added of diamond mining and other mining sub-sectors.

Diamond mining

Diamond production remains one of the backbones of the Namibian economy. It accounts for roughly 8.0 percent of total GDP, and 38.0 percent of the primary industry output. Consequently, the developments in diamond mining have a profound influence on the Namibian economy. Value added growth of diamond mining declined by 0.3 percent in 2007, from 25.2 percent in the preceding year (Chart C.6). The lower production relative to the preceding year was due to the closure of some of Namdeb's pocket beach plants, and the outbreak of fire at one of its plants.

Diamond mining output for Namibia in 2008 is projected to grow by 6.1 percent, driven by offshore mining and high world demand. On the international front, the market for diamonds is expected to increase by 7.8 percent, driven mainly by high demand from China and India. The supply, on the other hand, is expected not to match the increased demand because of a worldwide shortage and lack of new discoveries. As a result of excess demand, the price for both rough and polished diamonds will continue to be firm and is expected to rise in real terms each year between 2.0 percent and 5.0 percent, or even as high as 10.0 percent for high-quality stones.

Other mining

Overall value added growth for other mining sub-sector is estimated to have improved during the year under review, compared with a decline in the preceding year. The value added growth for other mining is estimated to have increased by 3.0 percent in 2007, from a decline of 11.2 percent in the preceding year (Chart C.7).

[12] This industry is made of agriculture and forestry, fishing, mining and quarrying.

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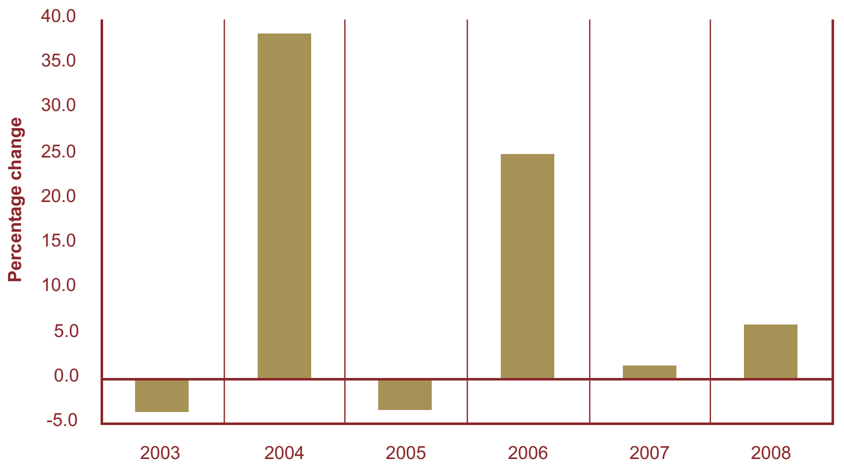
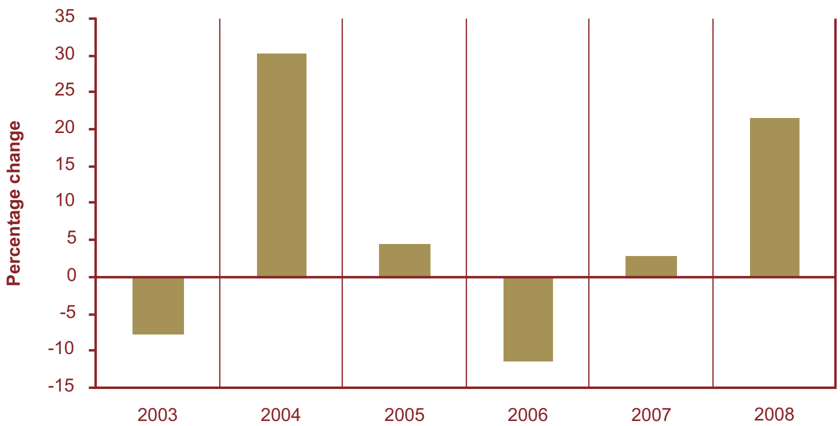
Chart C.6: Diamond production



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

Chart C.7: Other mining



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

The output of copper increased by 3.8 percent during 2007, compared with a much higher growth of 10.4 percent during 2006. The slower growth in copper output is attributed to the effect of operational changes during 2007 that were caused by flooding at one of the copper mines. The draining process took longer than expected due to power interruptions, resulting in lower production.

Similarly, the output of zinc increased over the same period by 5.8 percent compared to a decline of 19.5 percent witnessed in 2006. The increase in zinc production during 2007 was significant given a two-week strike at one of the mines, which negatively impacted on output.

Uranium output on the other hand declined, falling by 0.5 percent, compared with an increase of 8.1 percent recorded in 2006. Mainly responsible for the decline in uranium production was a breakdown in machinery and equipment that disrupted mining operations, while geological setbacks also played a role.

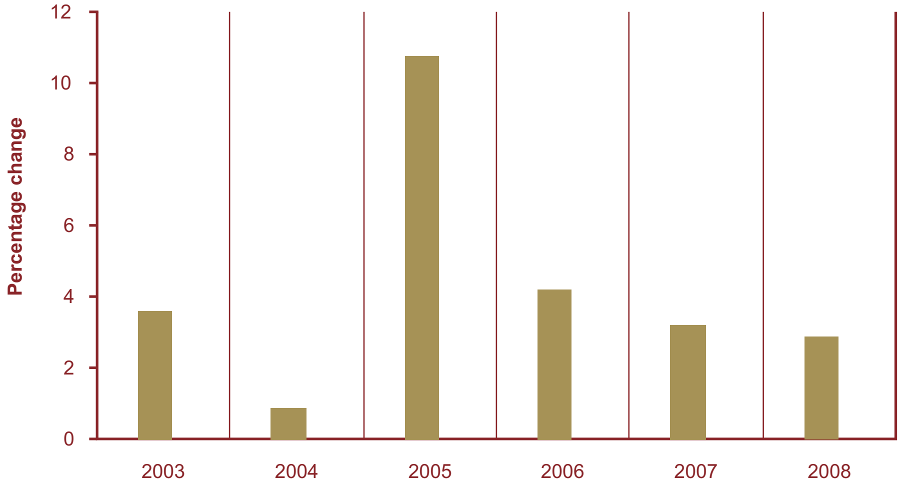
Looking ahead, the output of other mining and quarrying sub-sector is projected to expand by 21.8 percent in 2008, driven by uranium and gold mining output. Output of new uranium mining companies and the full production capacity to be reached by others already in operation are the main reasons for the projected expansion in the output of other mining. Expansion in production of uranium is expected to be induced by the demand for nuclear power by Brazil, China, Eastern Europe, and India. As for gold output, the strong demand for gold witnessed in 2007 is expected to continue in 2008. According to the World Gold Council, the ongoing financial crisis had a direct impact on the global gold market. The impact was clear in the third quarter of 2007 as safe-haven investors spurred record inflows into gold-exchange-traded funds, helping to push total demand to a new record of US$20.7 billion, up 30.0 percent on a year earlier. Production of zinc and copper will also be induced by favourable international prices supported by high demand. Output could however, slow down due to power interruptions expected during 2008.

Overall value added growth of the mining sector is projected to increase to 10.8 percent in 2008, which is a significant improvement when compared with the growth of 0.4 percent in 2007. This improvement will be largely driven by high commodity prices and world demand. Nevertheless, the possibility of power disruptions could significantly impact on this positive outlook.

AGRICULTURE

Output of the agriculture sector remained firm in 2007, although the rate of value added growth slowed when compared with that of the preceding year (Chart C.8). The slowdown in growth was reflected in easing subsistence agriculture, which slowed to 2.6 percent in 2007 from 10.0 percent in the preceding year due to the drought experienced during the 2006/7 rain season.

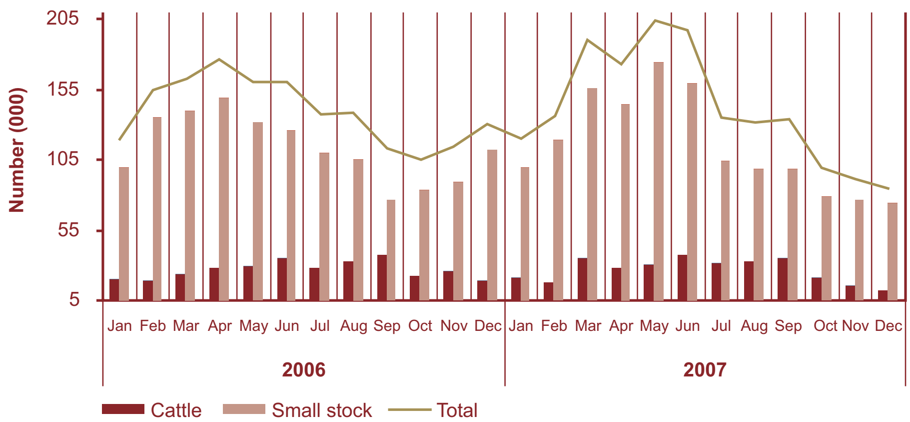
Chart C.8: Agriculture and forestry



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

However, the slowing growth in value added of this sector was moderated by activities in the commercial sub-sector, which rose during the year under review from a decline in the preceding year. Economic activities in the commercial sub-sector as reflected in improved number of livestock marketed (cattle and small stock) during the same period rose, year-on-year, by 1.5 percent.

Chart C.9: Cattle and small stock marketed



Source: Meat Board

The number of small stock marketed rose, year-on-year, by 1.9 percent in 2007. The number of small stock rose because of higher market prices, particularly for lamb, which rose by 9.1 percent to average at N$18.00 per kg in 2007 (Chart C.10). Another reason is that of the severe drought effect in the south, which led Government to extend a special arrangement to small stock farmers, allowing them to export 20.0 percent more live animals based on what was slaughtered during 2006. However, the number of cattle marketed recorded a decline of 0.2 percent in 2007, from a decline of 1.2 percent in 2006 (Chart C.9).

The primary reason for the increase in the number of cattle marketed during certain months of 2007 was the drought situation that prevailed throughout the country during the 2006/7 rainy season. However, the number of cattle marketed started to slow down during the third quarter of 2007, continuing into the final quarter of 2007. This could be attributed to the restocking of live animals in anticipation of better prospects for rain, especially after livestock were adversely affected by the drought situation that prevailed in the previous seasons.

Chart C.10: Beef and lamb prices

Source: Meat Board 2007

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FISHING

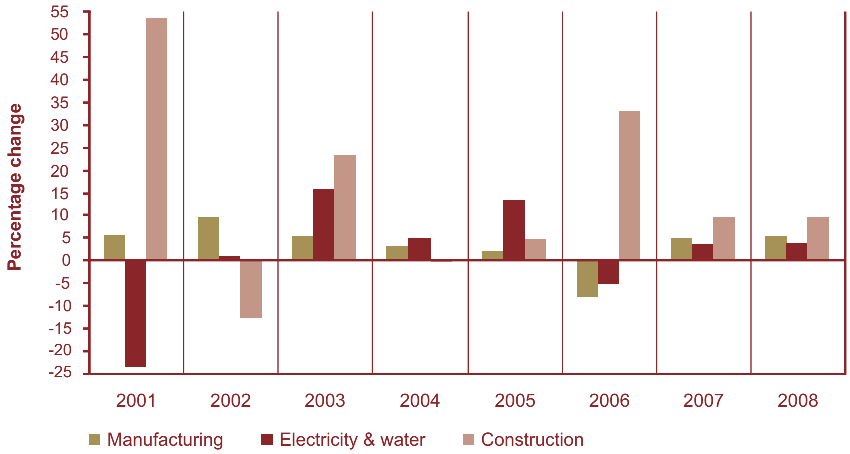
The dismal performance in the fishing sector for the preceding three years continued into 2007. The output of this sector declined by 0.4 percent, lower than the decline of 4.8 percent in the preceding year. The lower decline in fish catches relative to the previous year was mainly supported by improved volume of landings, the size of fish catches – especially hake, and higher fish prices.

The outlook of the fishing sector is mixed: the impact of the closure of hake factories in October will only be realised in three to five years, but progress on aquaculture and mariculture is good. The outlook on hake in particular is positive, due to expected improved stock and prices. However, the outlook for horse mackerel is bleak because of the reduction in total allowable catches of about 30.0 percent in 2008. Further, the biomass for horse mackerel has negatively impacted on the outlook by declining year-on-year by 11,000, to total 535,000 tonnes in 2007. The outlook is positive with regard to oyster farming. Oyster production has been increasing over the past few years, reaching production levels of an estimated 27.3 million oysters in 2007. However, reaching the target of double that amount by 2010, Namibia still has to meet stringent EU standards, which seem to hamper exports. In light of the above developments, value added growth in the fishing sector is projected to decline slightly by 0.2 percent, in 2008.

SECONDARY INDUSTRIES

The secondary industries[13] performed remarkably well, with value added growth of 5.9 percent in 2007 compared with 0.3 percent in 2006. This is the highest growth since the record-high 9.5 percent growth four years ago (Chart C.11). The sub-sectors of manufacturing and of electricity, gas and water were mainly responsible for this growth. In 2007, the manufacturing sub-sector increased by 4.9 percent from a decline of 8.3 percent in the preceding year. Over the same period, the electricity, gas and water sub-sector improved by recording a growth of 3.5 percent in contrast to a decline of 5.1 percent the previous year. The value added of the construction sub-sector, on the other hand, slowed to 9.3 percent, from 32.5 percent in the preceding year.

Chart C.11: Secondary industry real growth rates



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

MANUFACTURING

The improved value added in manufacturing was mainly reflected in the growth of meat, fish and other manufacturing sub-sectors. Meat processing rose by 3.2 percent in 2007, compared with a decline of 11.6 percent in 2006. The improvement in 2007 was a result of increased marketing of beef and small stock carcasses and meat cuts, supported by attractive prices. On the other hand, despite operating under difficult conditions, such as low market prices and high fuel costs, a favourable exchange rate contributed to improved growth in value added of fish processing The improved value added of other manufacturing was mainly driven by the increased processing of zinc, supported by the improved production capacity targeting 151,000 tonnes. The processing of copper also increased due to the importation of a cheaper copper concentrate from Bulgaria.

The outlook in the growth of value added of the manufacturing sub-sector remains firm at 53.0 percent. The projected high growth in 2008 is based on expected growth in output of dairy products and mineral products, supported by better international prices and a favourable exchange rate. Also, the global shortage of dairy products and increased capacity at the Tsumeb copper and lead smelter are expected to support manufacturing activities. The global milk shortage will boost local dairy production in Namibia by opening up opportunities to produce locally. It is in this light that Namibian dairy farmers envisage raising output by setting up a new dairy farm. As for the Tsumeb smelter, plans are in place to double capacity to 50,000 tonnes by the end of 2008, following the refurbishment and expansion of the Aus smelter in particular.

ELECTRICITY, GAS AND WATER

The electricity, gas and water sub-sector is estimated to have expanded by 3.5 percent in 2007. The improvement in value added growth of this sector was a reflection of increased efforts to generate electricity domestically. This was possible amidst limitations on the importation of electricity due to adequate river flows after good rainfalls in the catchment area of the Ruacana hydro-electric power station in the previous season. Looking ahead, despite the slowdown recorded in 2007, the outlook for this sector remains satisfactory, and growth in output is estimated at 3.7 percent for 2008. The estimated slight acceleration in 2008 is due to the generation of local electricity to supplement the short supply from Eskom. However, due to the expected power shortages, it is anticipated that the current supply will not be able to meet the demand of further expansion of the mining sector, which is the largest consumer of electricity in the Namibian economy.

[13] The secondary industry consists of manufacturing activities related to the processing of meat, fish, other food products and diary. The other two sub-sectors are construction, and electricity, gas and water.

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CONSTRUCTION

Due to the impact of increasingly higher costs of borrowing on residential construction, year-on-year growth in value added for the construction sub-sector eased significantly. The construction sector's growth slowed down to 9.3 percent in 2007, from 32.6 percent in 2006. The negative impact of high interest rates on construction were moderated by increased Government spending on capital projects such as the revamping of tourism resorts by Namibia Wildlife Resorts, and the continuing Northern Railway Extension Project.

Going forward, the ongoing mining explorations, private sector expansions, public enterprise projects (e.g. Telecom and NamPower), and public expenditure will impact positively on construction over the next few years. Furthermore, tourism-related infrastructure construction prior to 2010 for both the Federation of International Football Association (FIFA) Soccer World Cup in South Africa and the African Cup of Nations in Angola will generate more construction work. As a result, the performance of the construction sector is projected to grow above 9.5 percent in 2008. Although the overall performance of the secondary industry is expected to remain favourable in 2008, it might be moderated by power shortages. The extent to which limitations in power supply will constrain output depends on the success of the measures NamPower has introduced. These include demand-side management initiatives, installation of the fourth turbine unit at Ruacana to add 80 MW to the supply, the Kudu gas power project and the Katima–Zambia interlink corridor project. NamPower has also advised residents to switch off all energy-consuming devices that are not really important during peak hours, e.g. geysers. NamPower will also implement power shedding, a schedule which will be announced in advance. Another measure involved the free distribution of energy-saving domestic light bulbs. All these steps are expected to mitigate the high impact of power shortages. The introduction of user tariffs, however, is expected to have an effect on the inflation outlook.

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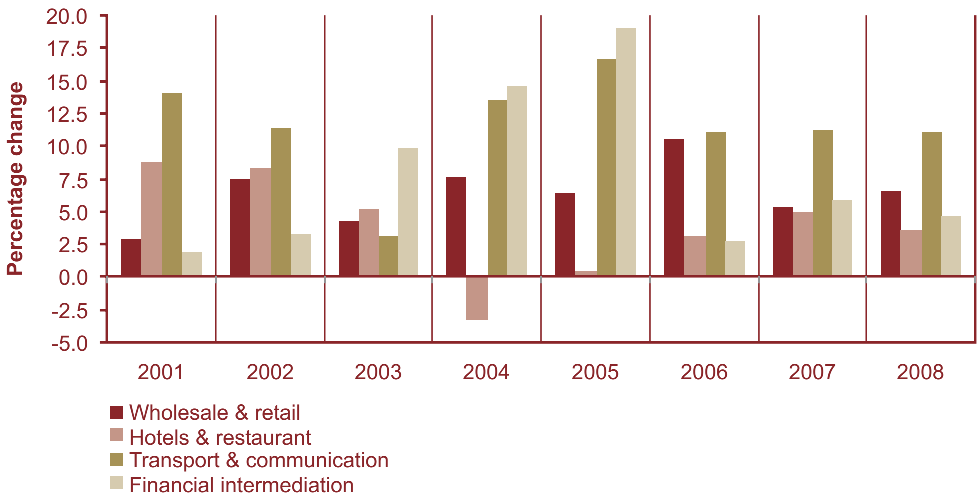
TERTIARY INDUSTRIES

Value added of the tertiary industry[14] is estimated to have increased slightly from 2006 by 0.1 percentage point to 4.5 percent in 2007 (Chart C.12). The improved growth was reflected in the transport and communication sub-sector, the hotels and restaurants sub-sector, the financial intermediation sub-sector and the producers of Government services sub-sector. On the other hand, the growth in value added of the wholesale and retail trade sub-sector, the real estate and business services sub-sector, and the community, social and personal services sectors eased during the year.

Chart C.12: Tertiary industry real growth



Sources: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

14 This consists of the sub-sectors wholesale and retail trade; hotels and restaurants; transport and communication; financial intermediation; real estate and business; community, social and personal services; producers of Government services; and other producers.

HOTELS AND RESTAURANTS

Value added for the hotels and restaurants sub-sector rose by 0.9 percentage points to 4.0 percent, driven mainly by increased occupancy at accommodation establishments in 2007. The bed occupancy in 2007 rose by 28.0 percent, compared with 24.0 percent the previous year. The number of establishments also rose by 16.0 percent over the same period, leading to a 13.0 percent rise in the number of beds available. Despite an increase in the number of establishments, the bed occupancy rate of the sector increased. The increase in the occupancy rate was also boosted by the Etosha Centenary celebrations. This is an indication that the tourism sector had an exceptionally good year in 2007. The outlook is also positive in view of the forthcoming Africa Cup of Nations and the FIFA World Cup in 2010.

FINANCIAL INTERMEDIATION

Growth in value added for the financial intermediation sector in 2007 was remarkable at 5.0 percent, compared with 2.6 percent in 2006. Contributing to this were high profits in the banking system, caused by high and rising interest rates augmented by firm levels of liquidity. However, for the year ahead, the possibility of bad debts due to high interest rates could negatively impact on the performance of the sector. Against this backdrop, growth in value added of the financial intermediation sector is projected to slow down to 4.5 percent in 2008.

WHOLESALE AND RETAIL TRADE

Developments in the wholesale and retail trade sector pointed towards a positive growth during 2007. The recovery mainly stemmed from a growth of 0.1 percent in the total number of vehicles sold during 2007, compared with a decline of 6.2 percent recorded for 2006. Passenger vehicles sold showed a decline of 6.2 percent during 2007, while commercial vehicle sales recorded an increase of 5.5 percent during the same period (Chart C.13). A decline in passenger vehicles sold could be attributed to interest rate hikes, which have made vehicle financing more expensive despite the special discounts being offered. As for the growth in the number of commercial vehicles sold, the rise was driven mainly by special treatment in the form of discount pricing offered for light commercial vehicles. Furthermore, commercial vehicle sales were not affected by high interest rates because profitable companies, especially in the mining sector, could negotiate favorable cash terms.

Because of these factors, the growth in value added of wholesale and retail trade moderated to 5.0 percent in 2007, from 10.5 percent in the preceding year.

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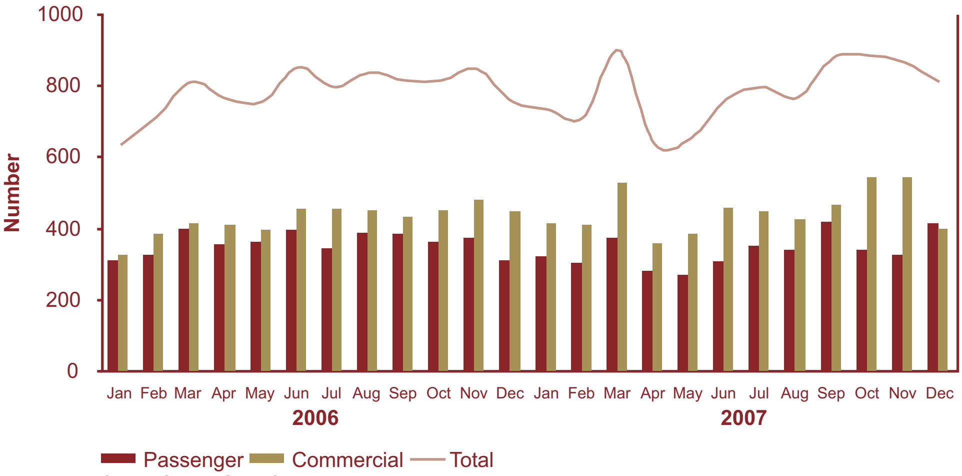
Chart C.13: Vehicle sales



Source: Simonis Storm Securities

TRANSPORT AND COMMUNICATION

Growth in value added for the transport and communication sector slowed down by 0.1 percentage points to 11.1 percent in 2007. This growth was reflected in that of the transport and storage sub-sector, while that of post and telecommunication moderated the abating growth. Transport and storage's value added growth fell by 3.7 percentage points to 8.0 percent, while that of post and telecommunication rose by 1.7 percentage points to 12.0 percent. The decline in the growth of transport and storage is expected to be transitory, and future value added growth is expected to recover. This is because increased cargo handling at the Port of Walvis Bay and traffic to Botswana and Zambia will gradually cause Namibia to become an important transport and storage service provider in the SADC region. Growth in post and telecommunication sub-sectors continues to remain firm, driven by initiatives aimed at improving delivery of quality services. Looking ahead, the sub-sector is expected to continue at similar rates of growth, supported by the drive to remain competitive by way of for example upgrading from single-service to multiple-service providers. The projected growth of 5.0 percent for 2008 will be driven by the expansion of mobile telecommunication, as well as transport and storage.

PRODUCERS OF GOVERNMENT SERVICES

Growth in the value added of producers of Government services was good in 2007, rising to 1.9 percent from a decline of 1.1 percent during the preceding year. The increase was due to an improvement in outsourced Government services. Growth in 2008 is projected to increase by 2.2 percent, in support of the expansionary budget for 2008/09.

GROSS NATIONAL INCOME AND GROSS NATIONAL DISPOSABLE INCOME

Gross national income (GNI) at market price continued to be less than the gross national disposal income (GNDI) in 2007, and a similar trend is projected for 2008. GNDI is higher than GNI because of net inflows in current transfers that have been influenced by high SACU receipts over the years.

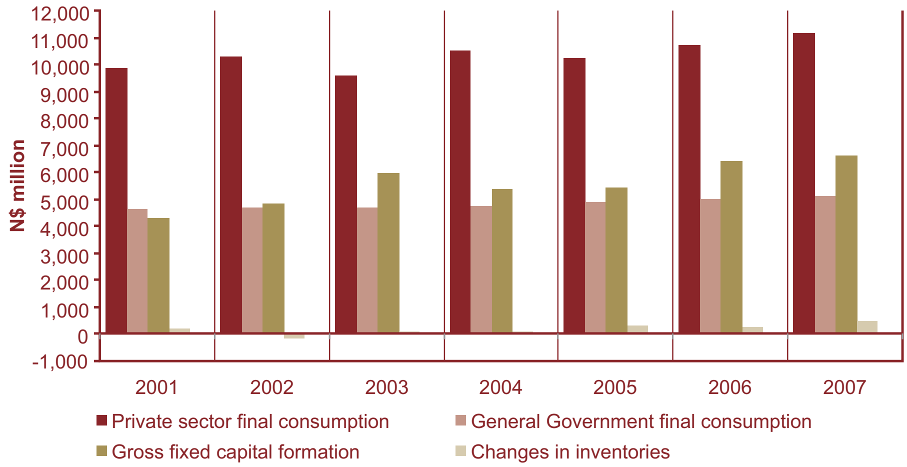
GNI improved to N$50.9 billion in 2007 from N$46.5 billion in the preceding year, while GNDI rose to N$58.8 billion in 2007 from N$53.0 billion the year before. The projection for 2008 is an increase to N$66.2 billion. In 2007, GDP at current market prices rose to N$52.0 billion, from N$47.0 billion in 2006, and is projected to increase to N$58.3 billion in 2008.

Real GDP per capita in 2007 improved to N$10,400 in 2007 from N$10 000 in the preceding year, while N$10 900 is projected for 2008. Although there is a noticeable increase in per capita income, distribution of resources remains a challenge – as reflected in the relatively high Gini coefficient of 0.6. The continuing high Gini coefficient calls for concerted efforts to channel more funds towards implementing measures aimed at uplifting the impoverished segments of the population.

GROSS DOMESTIC EXPENDITURE

The gross domestic expenditure (GDE) on consumption and investment is estimated to have risen to N$49.6 billion in 2007, from N$46.3 billion recorded the year before. The growth was driven mainly by the category Private sector final consumption followed by that of Gross fixed capital formation. Although the category Private sector final consumption contributed 48.0 percent to the GDP in 2007, this level was lower than that of 49.4 percent contributed during 2006. In real terms, during 2007, GDE rose by 3.3 percent year-on-year, to N$23.0 billion. The growth in 2007 was mainly reflected in investment expenditure, which rose by 3.0 percent to N$6.6 billion – or 26.7 percent of GDP. Private sector consumption expenditure, on the other hand, rose by 4.0 percent to reach N$11.2 billion, while final consumption expenditure by the Government in general increased by 2.1 percent (Chart C.14).

Chart C.14: Components of real gross domestic expenditure

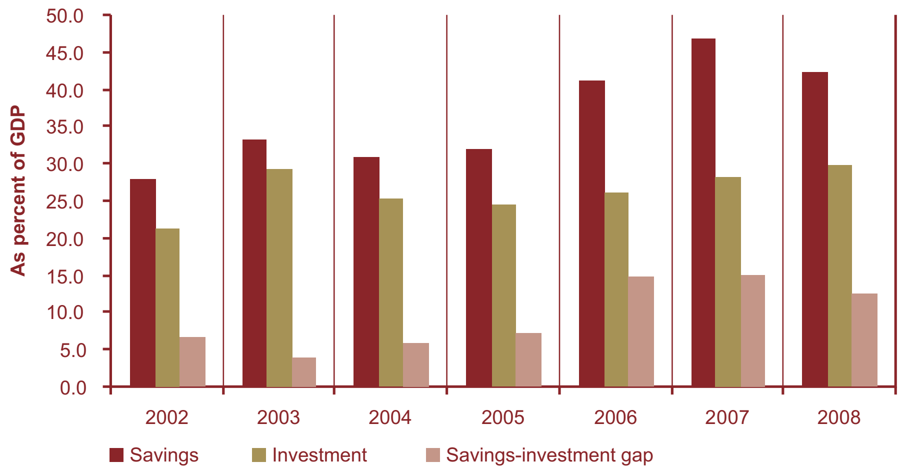


Source: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

SAVINGS AND INVESTMENT BALANCE

Excess gross savings continue to be firm in the Namibian economy, though these are projected to scale down in 2008[15]. This phenomenon has been increasing, year-on-year, for the past three years, with the excess savings gap rising to N$7.9 billion in 2007, from N$7.0 billion in 2006. The amount of excess savings over investment in 2007 represents 15.1 percent of GDP, which is higher than the 14.8 percent reported for the preceding year (Chart C.15). During the year under review, the ratio of gross investment to GDP rose in comparison with the preceding year. The ratio of gross national savings to GDP also rose, but the magnitude was higher than that of the former. As a result, the savings investment gap is estimated to have increased further in 2007.

Chart C.15: Savings - investment gap



Source: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

[15] This is mainly due to the Government surplus projected to be lower in 2008, although private savings might be higher, driven by high interest rates.

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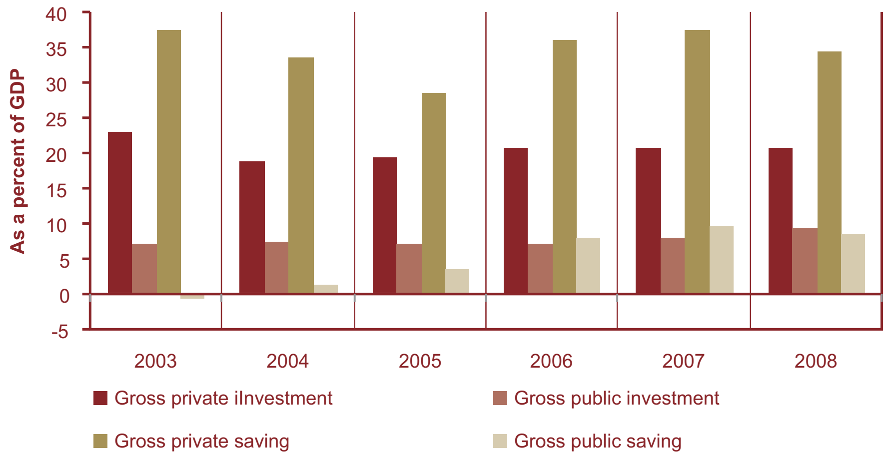
Furthermore, supported by high profits in the year under review, especially in the mining sector, the ratio of private gross national savings to GDP continued to dominate that of public gross national saving. For 2007, the ratio of private gross savings to GDP stood at 37.3 percent, whereas the ratio for the public sector was 7.7 percent. Similarly, the ratio of gross private investment to GDP at 20.5 percent continued dominating that of the public sector, which stood at 9.4 percent for 2007 (Chart C.16).

Chart C.16: Private and public savings - investment gap



Source: Central Bureau of Statistics National Accounts October 2007 (2001 and 2006)
Bank of Namibia Economic Outlook Paper January 2008 (2007 estimate and 2008 projection)

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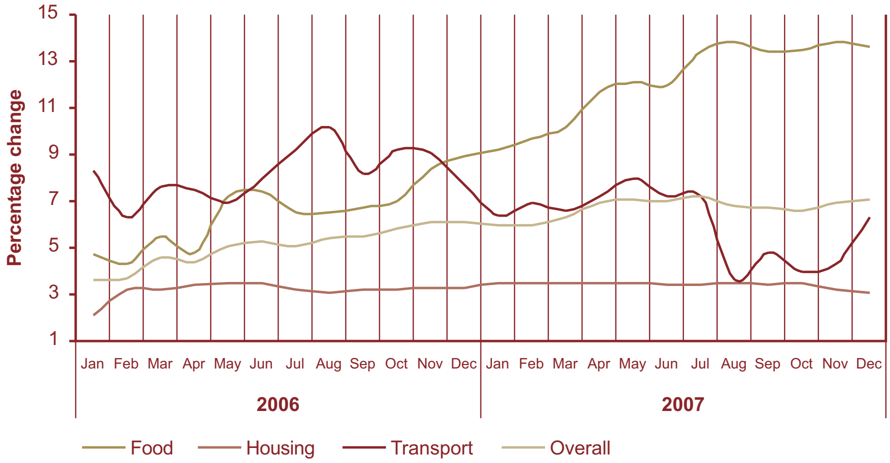
INFLATION

During 2007, persistent inflationary pressures were witnessed in Namibia as a result of high food prices and high and volatile international oil prices. The annual average inflation rate for 2007 was 6.7 percent – higher than the annual average rate of 5.1 percent recorded for the preceding year (Chart C.17).

Chart C.17: Inflation in major categories of National Consiumer Price Index (NCPI) (annual changes)



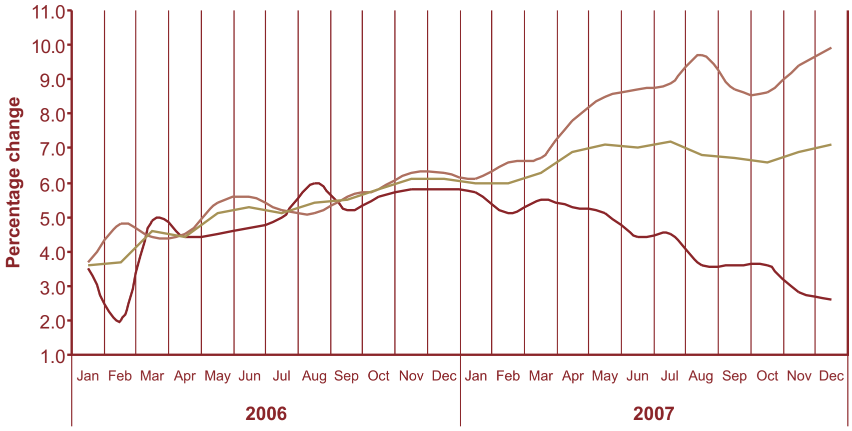
Source: Central Bureau of Statistics

The major contributors to rising inflation were the categories Food and non-alcoholic beverages and Transport. The increased food prices could be attributed to shortages caused by bio-fuel production, escalating production costs resulting from rising fuel prices, and other factors such as the global milk shortages experienced during the year. To contain inflationary pressures, the Bank of Namibia tightened the monetary conditions by increasing the Bank rate by a total of 150 basis points during 2007.

Mixed developments were observed in the other major categories of the NCPI during 2007. Increases were registered for the categories Alcoholic beverages and tobacco, Clothing and footwear, and Furnishings, household equipment and routine maintenance. Contrary to the above, the Miscellaneous goods and services category registered a slowdown during the year, falling from a rate of 6.4 percent in January to -0.1 percent in December.

A classification of inflation into Goods and Services shows a declining trend in Services inflation while Goods inflation displayed a rising trend, in line with overall inflation (Chart C.18). Services inflation declined from 5.7 percent in January to a rate of 2.6 percent in December, following an annual average of 4.8 percent observed for 2006. Goods inflation, on the other hand, revealed an upward trend, increasing from 6.1 percent in January to 9.9 percent in December. The increase was due to rising domestic food prices, as mentioned above.

Chart C.18: Goods and services inflation

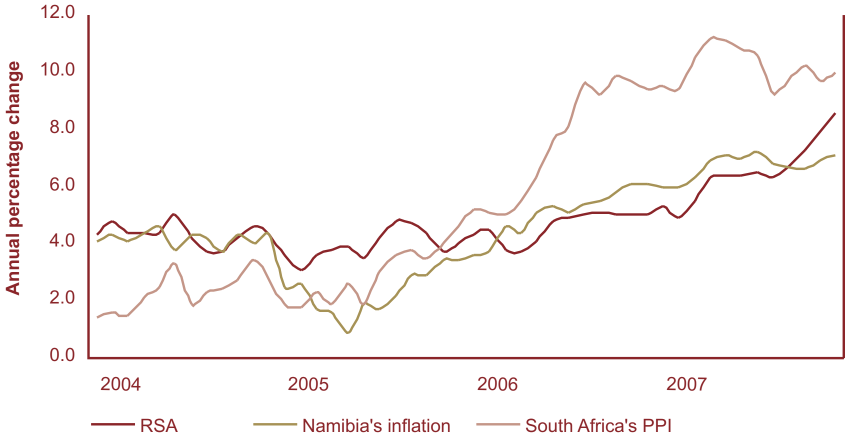


Source: Central Bureau of Statistics

Since Namibia imports a significant share of its consumable goods from South Africa, it is worth comparing inflation trends in the two countries. Like Namibia, inflation in South Africa posted an upward trend, although the NCPI is lower than South Africa's CPIX (Chart C.19). The latter stood at 5.3 percent in January, increasing to 8.6 percent by December. These rates were generally higher than the previous year, which averaged an annual rate of 4.6 percent.

The South African Production Price Index (PPI) was also on the increase in the first half of the year, reaching a record-high 11.3 percent in May, before falling to 10.0 percent in December. This increase could be explained by the rise in the annual rates of change in production of price indexes for mining and quarrying products, food manufacturing, and electricity

Chart C.19: Namibia`s CPI vs South African CPIX



Source: Central Bureau of Statistics

As the PPI gives an indication of future inflation trends, the inflation outlook for Namibia is discouraging, given the fact that the bulk of imports originate from South Africa and these increasing producer prices still have to be absorbed in the consumer market. However, the PPI rate for December 2007 declined to 10.0 percent on the back of a decrease in the production price indexes for electrical machinery and apparatus, basic metals, metal products, and products of petroleum and coal.

THE BIO-FUEL BOOM AND ITS IMPACT ON FOOD PRICES

Introduction

Food and transportation prices have been identified as the driving force behind rising inflation recently, not only in Namibia but around the globe. The rise is most evident in wheat, maize and dairy, while increased international crude oil prices have affected transportation prices. The tandem rising prices in both food and oil are, however, not an incidental phenomenon, but have interrelated rising demand created by developments in the energy sector. Rising demand for bio-fuels, especially from fast-growing emerging market economies, and the drought that was experienced in Namibia in 2007 have been pushing up prices for raw materials such as wheat, maize and sugar. Although there are benefits to be derived from producing bio-fuel, it is impacting negatively on commodity costs.

How bio-fuel boom is impacting on food prices

Governments around the globe seek alternatives for the current, more expensive oil-based energy sources to much cheaper bio-fuels produced from renewable organic sources such as corn (maize) and sugar crops. This created a turnaround in the agricultural sector, as the bio-fuel industry now competes with the food industry for raw materials. Due to the high demand for bio-fuel, farmers at the production level worldwide have renewed economic incentive to grow crops for bio-fuel instead of food production. This has started to lead to reduced food production, increased food prices, and rising inflation, as the global demand for bio-fuels pushes up crop prices for wheat, maize and sugar, making it more expensive for food-producing companies to source raw materials used in the products they sell.

Events around the globe

Currently, the production of crops to meet the rising demand for bio-fuel has started to divert land, water and other resources away from food production in most developed countries such as Canada, UK and US. In Canada, more farmland is devoted to growing corn for ethanol than for food. In the US, the feedstock for ethanol is mainly corn and other grains, which is having a dramatic impact on food production.

Bio-fuel production drove up the price of corn in 2006 and 2007, and is expected to continue exerting pressure on the price of crops in the years ahead. The increased pressure would be due to the global production of bio-fuels, which has doubled in the past five years and is estimated to double again in the next four, according to the United Nations. It has been estimated that more than 60.0 percent of arable land in the European Union would be needed to meet the demand of the bio-fuel industry if the region was to replace 20.0 percent of the fossil fuels used in transport with bio-fuel. This would put pressure on the amount of land available to produce crops for food, thus resulting in increased crop prices.

In South Africa, maize prices in recent years have hovered around R600 a ton, and had reached R2,000 a ton by March 2007. Although this was lower than the world price of R2,500, expectations are that South African prices will achieve parity with international prices. This is set to have an impact on Namibian prices, as has already been evident.

Impact on Namibia

Most of Namibia's imports consist of consumable goods. Thus, higher food prices can have a significant impact on the country's consumer price inflation index. Increased food prices could also increase headline CPI indirectly, by raising non-food prices through a wage response to higher food prices – and, therefore, contribute to a further increase in consumer prices as food products account for the bulk of the weight in the total consumptions basket.

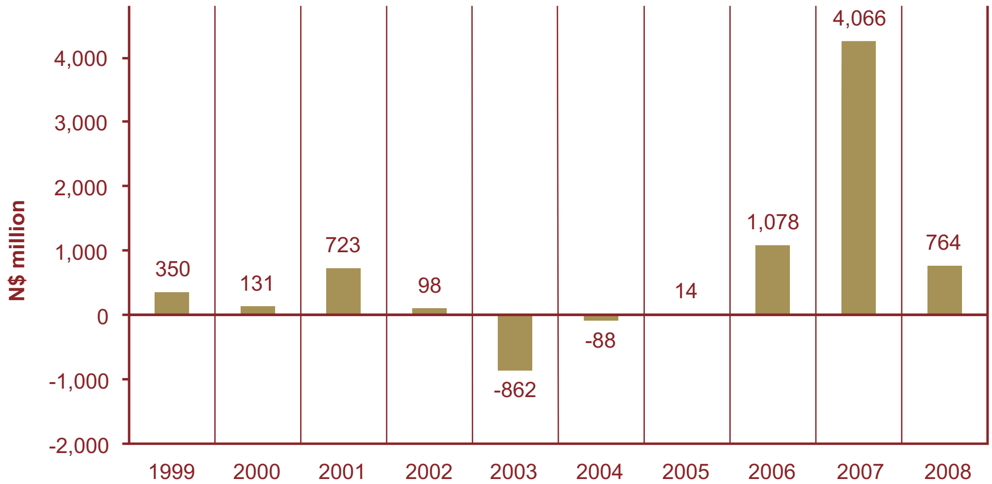
Conclusion

The high and growing demand for bio-fuels has gradually worked its way onto grocery store shelves, both in meat, dairy products such as bread and other foods like cereals. Therefore, well-designed intervention policies are required on a global scale to level the playing field and equitably distribute the available resources between food and biof-uel production, to prevent increased prices and inflation worldwide.

FOREIGN TRADE AND PAYMENTS

The external sector for Namibia – as measured by developments in the balance of payments – continued recording positive results, with the overall surplus improving to N$4.1 billion in 2007 compared with that of N$1.1 billion during 2006. This continuous surplus in the overall balance of the balance of payments arose mainly from a significant current account surplus (Chart C.20), following sizeable inflows from mineral export receipts and revenue from SACU. The outlook for 2008 remains favourable with the surplus estimated at N$764 million, driven by receipts from exports and SACU.

Chart C.20: Overall balance of balance of payments



CURRENT ACCOUNT

Supported by strong mineral export proceeds, net inflows in services mainly tourism related, and SACU receipts, the current account surplus did not change in 2007, from N$7.5 billion recorded in 2006. In relation to GDP, the current account surplus decreased from 15.1 percent recorded in 2006 to 14.8 percent registered during the period under review. The current account surplus as a percentage of GDP is estimated at 12.6 percent for 2008. The surplus could rise to higher levels during subsequent years as SACU receipts are expected to increase due to firm importation of construction materials in South Africa for the preparation of 2010 FIFA World Cup. However, it is not certain how other sub-components of the current account, such as investment income and merchandise trade, will support the relatively high projection on SACU receipts. Hence, looking ahead, reforms are needed to increase the export competitiveness of the economy, including reducing the cost of doing business in Namibia, which is high by international standards.

THE MERCHANDISE TRADE BALANCE

Namibia continued to be a net importer of goods during 2007, unlike in 2006 when a merchandise trade surplus was recorded. Merchandise trade surplus is projected at to decline to N$0.5 billion in 2008. During 2007, the merchandise trade balance recorded a deficit of N$0.4 billion, compared with a surplus of N$0.6 billion in 2006. A slightly higher growth in the value of imports during 2007, compared with that of exports, contributed to the net inflow in the merchandise trade account (Chart C.21).

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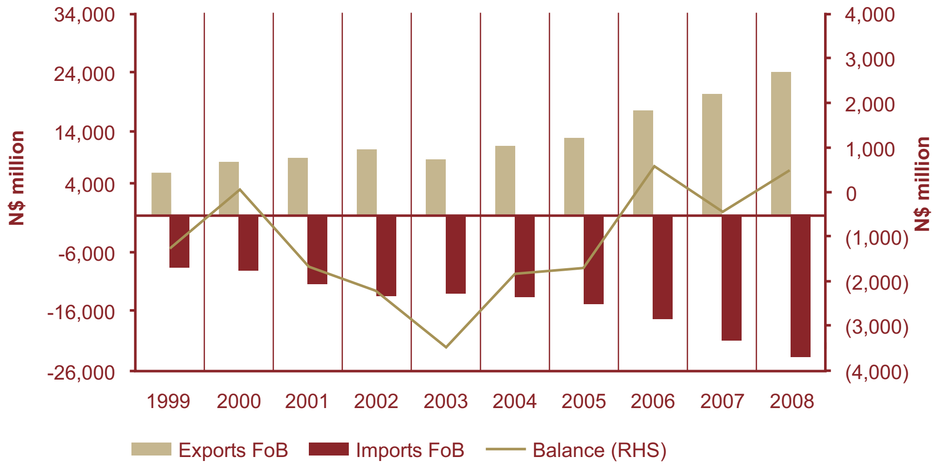
Chart C.21: Merchandise trade



FOB = free on board
RHS = right-hand side

In 2007, the value of imports was estimated to have increased by 20.8 percent to N$20.9 billion, while that for exports rose by 14.5 percent to N$22.5 billion. The increased import bill was driven by the high cost of imported fuel, which rose by N$2.3 billion to N$2.9 billion for 2007. The effects of depreciation in the currency also contributed to the increased fuel import bill.

On the export side, apart from the categories Diamonds, Food and live animals and Other commodities[17], export values of all other categories rose – notably that of Manufactured products and Other minerals. This was mainly as a result of prevailing high international commodity prices, and partly due to the depreciation of the local currency against those of its main trading partners. Merchandise imports are projected to grow on an annual basis in 2008 by 16.8 percent and merchandise exports by 5.4 percent. The projected annual growth of imports is based on a relatively high estimate of oil prices, while that on exports it is based on the anticipated high demand for minerals such as uranium, zinc and copper.

MERCHANDISE IMPORTS

Driven by increased demand for mining equipment in the economy and by high and rising international oil prices during 2007, the merchandise import bill continued to be dominated by the importation of fuel and chemical products, and machinery and equipment (Table C.6). The category Oil and chemical products accounted for 24.0 percent of the total import bill, while that for Machinery and equipment stood at 19.0 percent. The dominance of the category Machinery and equipment over Food and live animals was brought about by new mining operations in the economy.

Table C.6: Merchandise imports CIF* (N$ million)

	2001	2002	2003	2004	2005	2006	2007 (First half)
Food and live animals	2,778	3,394	3,213	3,104	3,113	3,333	2,339
Machinery and equipment	973	1,405	3,422	3,002	2,982	3,904	2,566
Oil and chemical products	2,424	2,907	3,891	2,932	2,730	3,347	3,158
Aircraft and ship products	1,774	2,142	246	177	483	595	854
Vehicles	1,452	1,501	2,017	2,331	2,552	2,907	1,647
Mineral products	1,005	1,181	1,206	1,229	1,217	1,565	839
Household appliances	318	496	3,663	2,753	2,987	3,405	1,983
Total	12,227	14,700	17,657	15,529	16,063	19,056	13,386

* Price including cost, insurance and freight
Source: Central Bureau of Statistics

The import of other components in categories such as Food and live animals, Vehicles and Household appliances also remained relatively firm during 2007. The import bill for Food and live animals accounted for 17.0 percent of total imports, while that for Vehicles and Household appliances registered 12.0 percent and 15.0 percent, respectively.

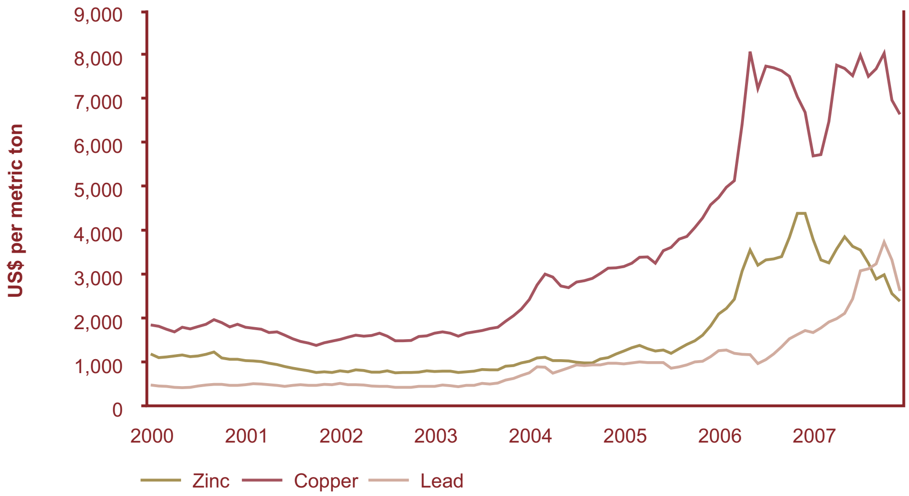
[17] This includes exports of products such as hides and skins, and karakul wool and pelts.

MERCHANDISE EXPORTS

Mineral exports

Mining output continued to play a significant role in terms of generating foreign exchange earnings for the country. During 2007, the export performance of the category Other mineral products was remarkable, due to record-high mineral prices (Charts C.22(a) and (b)). The strong mineral export prices for copper and lead during 2007 were driven by increased construction activities in emerging market economies, especially China. This caused yearly average prices of copper and lead to rise, year-on-year, by 5.9 percent and 100.2 percent, respectively.

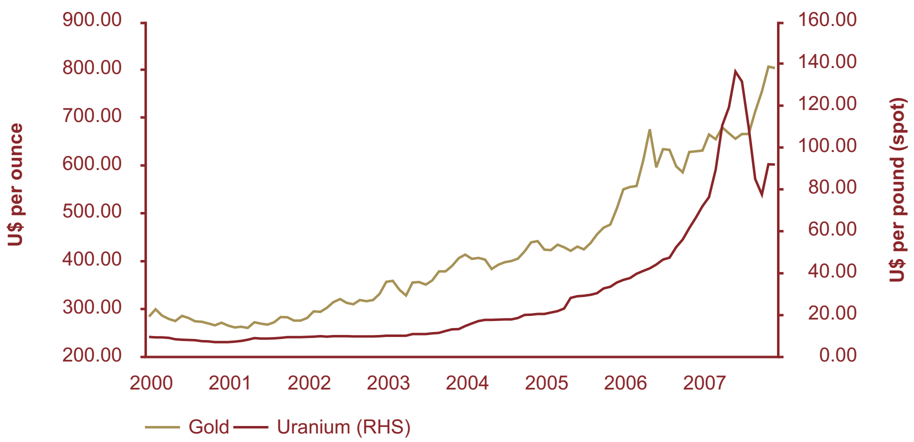
Chart C.22(a): International prices for selected minerals



Source: IMF

In 2007, the gold price increase was boosted by demand factors that outstripped supply. The growth witnessed in China and India , two of the biggest consumers of gold, especially for jewellery, has led to high demand for gold. Another demand factor driving up the gold price comes from the demand for investment and industrial purposes. Holding investments in gold is attractive in periods of increasing and high prices because, unlike other assets, gold does not pose liquidity or credit risks. The demand for gold for industrial purposes, which accounted for 12.0 percent of world demand in 2006, is mainly for electronics, dentistry, medicine, decoration, and catalysts. All these demand factors for sentimental, investment and industrial purposes have caused the international price for gold to rise from the low levels recorded in the early 2000s (Chart C.22(b)).

Chart C.22(b): International prices for selected minerals



RHS = right-hand side
Sources: IMF and World Gold Council

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Increased worldwide demand for nuclear energy continues driving the price of uranium, which reached record-high levels in 2007. The price of uranium has risen as a result of high demand to a yearly average of US$100.00 per pound in 2007, from US$48.00 per pound in the preceding year. This significant price rise reflects excess demand that could not be met by existing suppliers.

As a result of record-high prices for gold, copper, lead, uranium and zinc, the export value of the category Other mineral products increased significantly by 76.5 percent to N$5.7 billion during 2007, from the N$3.2 billion recorded during 2006. Diamond exports continued to remain the key export commodity for Namibia, although this category recorded a decline of 12.5 percent to N$6.4 billion during 2007, from N$7.3 billion the year before.

The value of Manufactured products exported increased by 28.9 percent during the year, recording a total value of N$6.3 billion. The relatively high international price for refined zinc that prevailed in 2007, supported by a weakening national currency, contributed to the positive outcome.

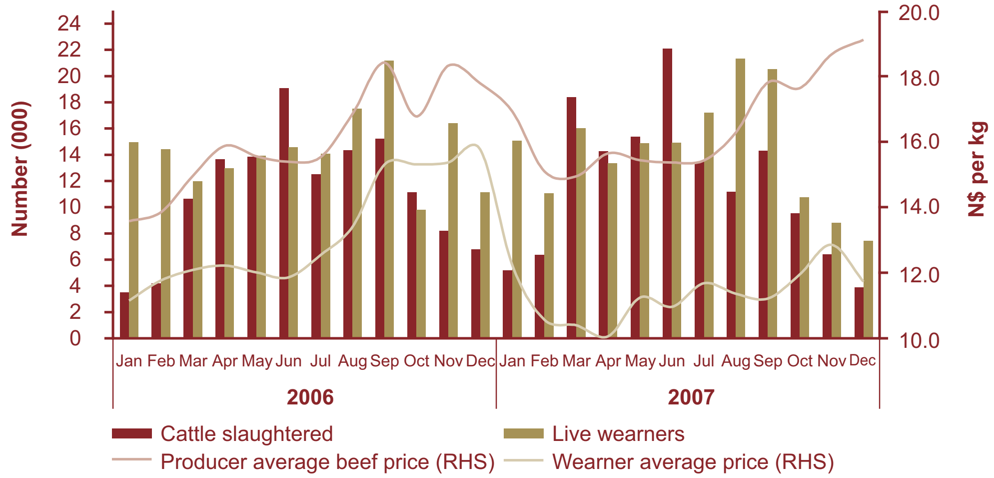
In 2007, the export receipts of other sub-components of manufactured products – like beer, soft drinks, and some processed fish – also increased, albeit at a slower pace than in 2006. Furthermore, export receipts in 2007 for other sub-components such as processed copper rose, while that of textiles declined. The increased export receipts for copper are driven by high international prices for this metal, while the scaling down of textile production contributed to the decline in the textile export value.

Non-mineral (Agriculture) exports

Driven mainly by a decline in the prices for beef and weaners, the export value of Food and live animals declined by 9.2 percent during 2007 (Chart C.23). The decline was reflected in the sub-component Meat and meat preparations, which fell in value, year-on-year, by 13.1 percent to N$850.8 million.

The effect of lower weaner prices on the export value of live animals was offset by firm weaner export volumes, resulting in the export value rising by 10.5 percent over the same period, to N$677.0 million.

Chart C.23: Number and prices of cattle slaughtered and live wearners for exports



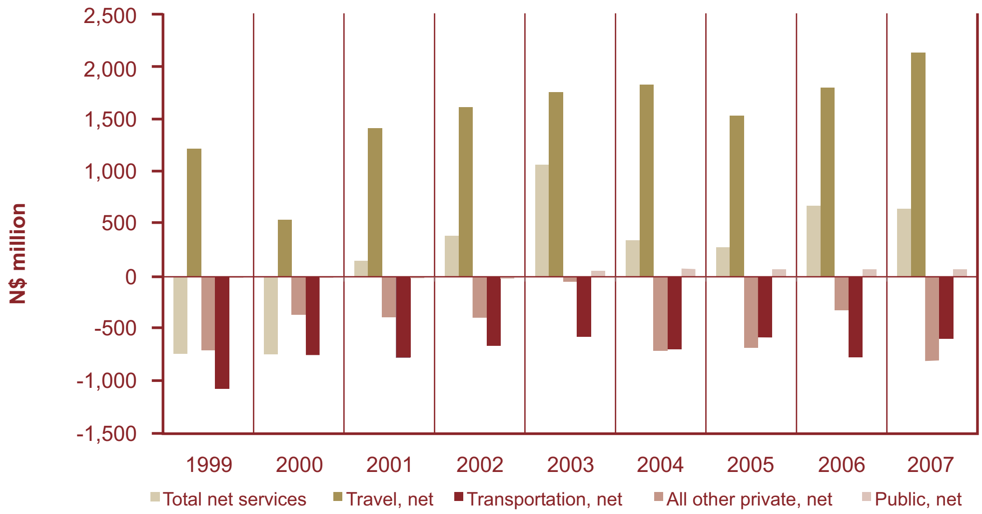
RHS = right-hand side
Source: Meat Board of Namibia

THE SERVICES ACCOUNT

The surplus on the services account decreased moderately to N$643 million in 2007, from N$659 million in 2006. The decline in the value of net export of services was mainly attributed to the decrease in inflows paid for services offered by locally based operators, in particular transportation services, relative to foreign operators[19]. However, the net inflow in the sub-category Travel, mainly for leisure and business travel purposes, continued dominating the overall outcome due to increased tourist arrivals during 2007 (Chart C.24). Inflows for travel services rose to N$2.1 billion in 2007, from N$1.8 billion in 2006. The strong growth in tourism caused receipts from airfares to improve, although income generated from services rendered in the form of catering and cargo handling on behalf of non-resident airlines remained almost constant.

[19] Locally owned operators receive low income on, for example, air tickets, as most resident travellers use foreign-owned airlines, while most foreign visitors to Namibia rely on foreign-owned operators. Hence, on a net basis, transportation credit is lower than the debit side.

Chart C.24: Net services



INVESTMENT INCOME

Investment income was estimated to have recorded a higher net inflow of N$196 million during 2007, compared with a net outflow of N$202 million the previous year (Chart C.25). The net inflows in investment income were a result of an increase of only 44.9 percent in investment income paid, while income received rose by 71.5 percent.

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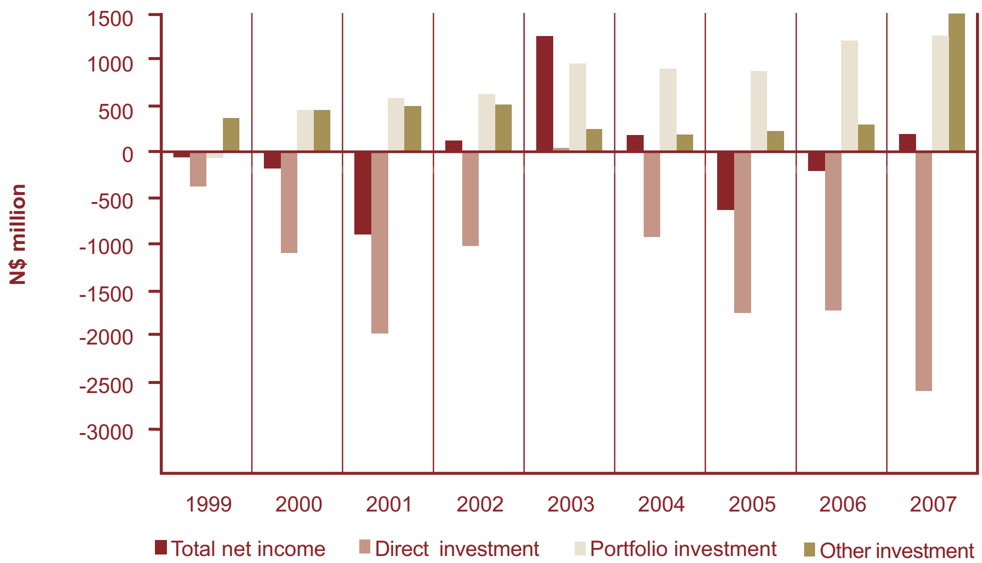
Chart C.25: Investment income



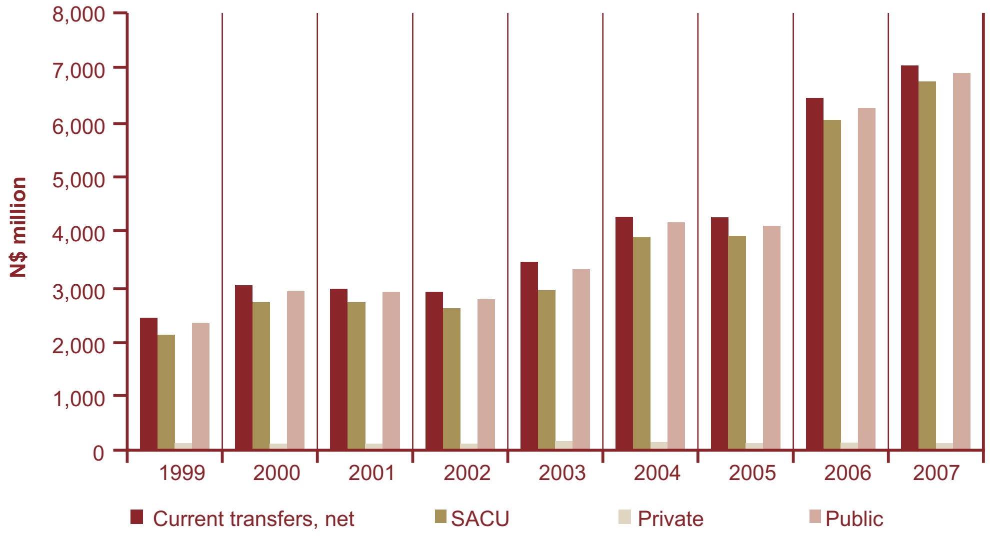
The net inflow on investment income is driven mainly by income received from holding listed equity shares and interest of other types of investments. However, investment income paid to foreign shareholders holding unlisted equity shares of 10.0 percent or more continued moderating the net outflow on investment income.

CURRENT ACCOUNT TRANSFERS

With regard to current account transfers, a surplus of N$7.1 billion has been estimated for 2007 following higher inflows in Government transfers from SACU during 2007 (Chart C.26). This represents an increase of 9.7 percent when compared with the level recorded in 2006. In relation to GDP, this ratio fell to 13.6 percent in 2007, from 13.7 percent in 2006. The decrease was largely due to the fall in grants for development assistance to N$269 million from N$319 million. However, this could not impact more than 0.1 percentage points on GDP ratio because of the additional customs collections of N$1.9 billion, which were distributed to all SACU member countries. These additional receipts originate from customs collections by South Africa following a surge in imports due to expenditure related to the preparations for

the 2010 FIFA Soccer World Cup. Namibia's additional SACU revenue share was also partly due to the adjustments made in accordance with the 1969 Revenue-sharing Formula (RSF).

Chart C.26: Current transfers



However, revenue from SACU may start stabilising in the years to come as the final adjustments based on the 1969 RSF take effect, of which the distributions of the receipts were made in 2007/08. Moreover, because of better forecasts for SACU revenues, there will no longer be large adjustments due from the new RSF. Furthermore, future trade liberalisation beyond 2010 in the context of EPA and the Doha Round of Talks could result in a decline in SACU receipts.

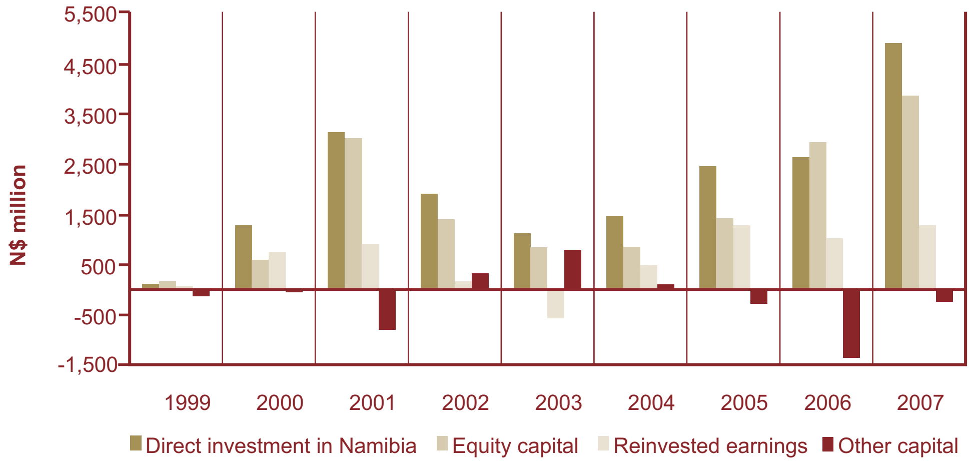
CAPITAL AND FINANCIAL ACCOUNT

The deficit on the capital and financial account narrowed to N$4.9 billion in 2007, from N$7.0 billion in 2006. Mainly responsible for this development was a reversal to net inflow from net outflow of Other investment: Short-term, driven by the Banking sector, and increased net inflow in the category Direct investment into Namibia, brought about by Equity capital and Reinvested earnings during the period under review. On the other hand, portfolio outflows continue to persist, with outflows for 2007 exceeding those in previous years.

FOREIGN DIRECT INVESTMENT

Foreign direct investment into Namibia, which is made up of Equity capital, Reinvested earnings and Other capital of foreign companies, increased to N$4.9 billion during 2007, compared with N$2.6 billion recorded during 2006 (Chart C.27). This increase originated mainly from equity capital, especially in the mining sector, as well as by reinvested earnings. Equity capital rose to N$3.9 billion in 2007, from N$2.9 billion in the preceding year, while Reinvested earnings increased, year-on-year, by N$268 million to N$1.3 billion. Other capital, on the other hand, recorded a net outflow of N$240 million during 2007, compared with N$1.4 billion recorded during 2006. The development in the components Equity capital and Reinvested earnings in respect of foreign direct investment into Namibia reflects the confidence by foreign investors in the Namibian economy, especially in the mining sector. The net outflow in the category Other capital reflects the amount by which liabilities in the form of loans between related companies were reduced in 2007.

Chart C.27: Direct investment in Namibia



PORTFOLIO INVESTMENT

The net outflow in Portfolio investment, which is one of the major sub-components in the capital and financial account, increased during 2007 by 37.7 percent, year-on-year, to N$10.4 billion (Chart C.28). In relation to GDP, this represents an increase from 16.0 percent in 2006 to 19.9 percent in 2007. The increase was observed mainly in equity investment instruments, which recorded a growth of 61.6 percent compared to 2006, supported by debt securities, which rose by 16.7 percent from the 2006 figures. The main source of the invested funds continues to be from institutional investors, especially pension, insurance and unit trust funds invested through asset management companies. During 2007, pension, insurance and unit trust funds accounted for 63.0 percent, 29.6 percent and 6.8 percent, respectively, of total funds invested. Furthermore, corporate entities account for 0.6 percent of total funds invested. The breakdown of the sources of funds during 2007 is similar to the proportions for the preceding eight years (Chart 28).

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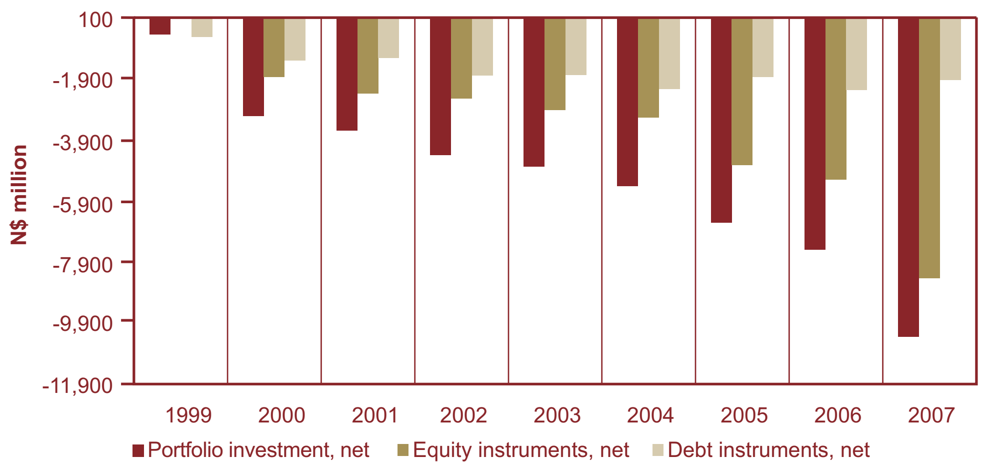
Chart C.28: Portfolio investment, net



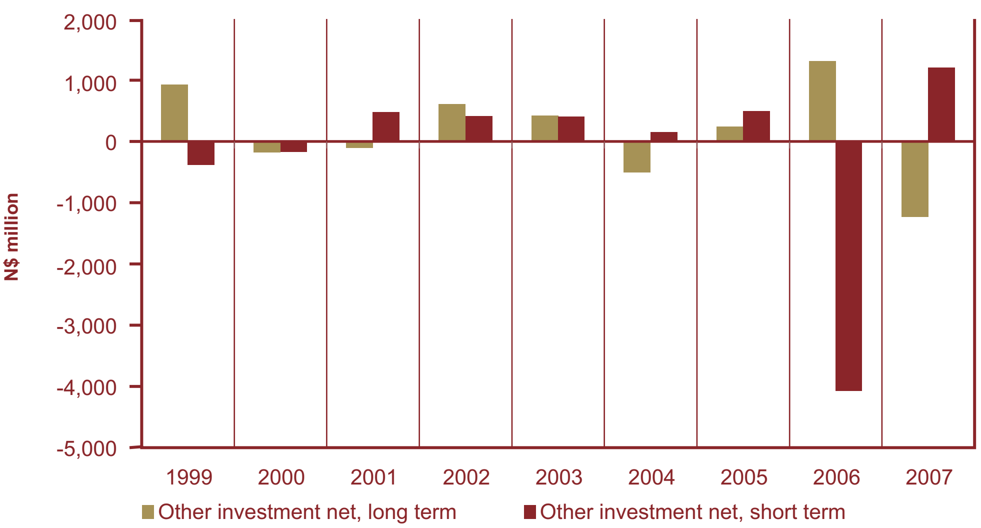
The main investment instruments are in both equity and debt securities and mostly in the CMA, particularly South Africa, where about 53.1 percent of total registered investment funds invested abroad are placed. Another proportion of around 9.1 percent is held offshore. The net outflow in Portfolio investment implies that excess local savings continued flowing out in search of investment opportunities abroad, especially in South Africa.

OTHER INVESTMENT

Net outflows of N$1.3 billion were recorded under the category Other long-term investment in 2007, compared with net inflow of N$1.3 billion reported in the preceding year (Chart 29). Other long-term investment categories comprise long-term loans for General Government, Banks, and Other sectors. General Government net inflows decelerated by N$76.0 million to N$8.0 million in 2007, while other sectors recorded net outflow of N$1.3 billion from a net inflow of N$433 million in the same period. These developments contributed to the reversal from net outflows for this sub-account. Also, transactions for Banks contributed to the increased net outflows, by recording a net outflow of N$14 million in 2007 from a net inflow of N$796 million.

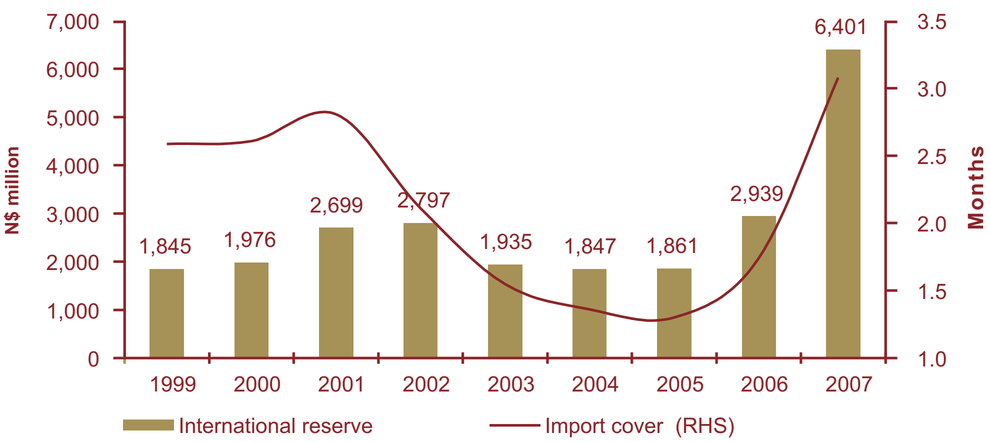
Other short-term investments, which mainly reflect short-term loan transactions between resident banks and non-resident parent companies, substantially reversed from a net outflow of N$4.1 billion in 2006 to a net inflow of N$1.3 billion in 2007 (Chart C.29). This massive reversal in net flows was a reflection of the liquidity situation in the system in 2007, relative to that of the preceding year.

Chart C.29: Other investments



The aforementioned developments in the current and capital and financial accounts resulted in a relatively high surplus of N$4.1 billion in the balance of payments. This is remarkably higher than the N$1.1 billion recorded for 2006 (Chart C.30). The level of foreign exchange reserves improved accordingly to N$6.4 billion in 2007, which represents 3.1 months of import cover, compared with 1.7 months recorded in 2006. This increase was mainly attributed to the additional SACU revenue and favourable exports earnings, especially from mining companies.

Chart C.30: International reserves stocks



EXTERNAL DEBT[20]

At the end of 2007, the total stock of foreign debt for Namibia was estimated at N$6.3 billion, which represents a decrease of N$347 million when compared with 2006 (Table C.7). Debt servicing, supported by the exchange rate adjustments, contributed to the decline in the total outstanding stock in 2007, relative to that of the preceding year. The decline in the stock of outstanding foreign debt at the end of 2007 was reflected mainly in the debt stock of the private sector, in particular companies operating in export processing zones. The debt stock for this sector fell to N$2.3 billion, from N$5.9 billion in 2006. The external debt stock of parastatals also declined by 25.3 percent, to N$1.1 billion at the end of 2007. On the other hand, the outstanding stock of Central Government foreign debt increased to N$2.9 billion by the end of 2007, from N$2.5 billion at the end of the preceding year.

Table C.7: Namibia's total foreign debt (N$ million)

	2006		2007			
	Q3	Q4	Q1	Q2	Q3	Q4
Foreign debt outstanding	**6,113**	**9,910**	**9,508**	**6769**	**6,043**	**6,318**
Central Government	2,676	2,526	2,710	2,769	2,696	2,873
Parastatals	1,510	1,477	1,517	1,489	1,227	1,104
Private sector	1,927	5,907	5,281	2,511	2,120	2,341
Foreign debt services[21]	**688**	**793**	**404**	**346**	**1,140**	**497**
Central Government	95	51	55	57	46	79
Parastatals	3	1	8	11	11	0
Private sector	590	740	341	279	1,083	418
Percentage						
Outstanding debt Q-on-Q	-1.7	62.1	-4.0	-28.8	-6.9	-1.4
Debt service Q-on-Q	20.7	15.3	49.0	-14.3	229.2	-56.4
Debt service to exports FOB	14.5	15.7	8.4	6.2	22.5	9.8
Memorandum						
Exports FOB	4,696	5,037	4,834	5,575	5,062	5,076

Q = calendar quarter
FOB = free on board
Sources: Bank of Namibia and Ministry of Finance

In line with the decline in outstanding debt stock, debt service during 2007 decreased year-on-year, falling to N$497 million in 2007, from N$793 million in 2006. The category Private sector debt service contributed to the decline in total debt service, as that of Central Government rose. Thus, Private sector debt service declined to N$418 million in 2007, from N$740 million in 2006. Central Government debt service however, increased to N$79 million from N$51 million in 2007. Debt service represented 9.8 percent of merchandise exports in 2007, which is lower than the 15.7 percent recorded in 2006[22].

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20 In this section, external debt comprises that of Central Government, parastatals and the private sector, excluding liabilities in the form of equity. Figures are preliminary except for Government, and are subject to change when actual data become available.

21 Debt service data referred to here are cumulative over four calendar quarters.

22 Debt service as a percentage of merchandise exports is a good measure of the ability to service external debt.

INTERNATIONAL INVESTMENT POSITION

The international investment position for Namibia, like in the preceding year, continued recording a net asset position at the end of 2007. A net asset position shows the magnitude by which the rest of the world is indebted to the Namibian economy. At the end of 2007, the net asset position stood at N$27.5 billion, compared with N$9.4 billion recorded in 2006 (Table C.8). The increase in net foreign assets was driven mainly by investments in portfolio instruments, supported by the categories Other investments and Bank of Namibia international reserves. The foreign asset position in the form of portfolio investments was estimated at N$41.0 billion in 2007, up from N$31.3 billion in 2006.

Table C.8: International investment position (N$ million)

	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	**35,882**	**40,647**	**29,855**	**40,767**	**47,858**	**52,612**	**55,424**	**61,757**
Direct investment abroad	198	94	111	51	121	74	73	77
Portfolio investments	31,871	35,431	23,561	31,319	33,474	36,333	38,319	41,016
Other investments	1,560	2,628	3,306	6,458	8,524	10,224	11,353	14,264
International reserves	2,253	2,494	2,877	2,939	5,739	5,980	5,679	6,401
Liabilities	**27,908**	**26,123**	**26,112**	**31,343**	**30,591**	**33,484**	**28,467**	**34,269**
Direct investment into Namibia	16,195	16,918	18,052	19,416	18,803	24,428	20,574	26,031
Portfolio investments	584	584	584	584	584	584	584	584
Other investments	11,129	8,621	7,476	11,343	11,204	8,472	7,309	7,654
Net asset (+)/liability (-)	7,974	14,524	3,743	9,424	17,267	19,128	26,956	27,487

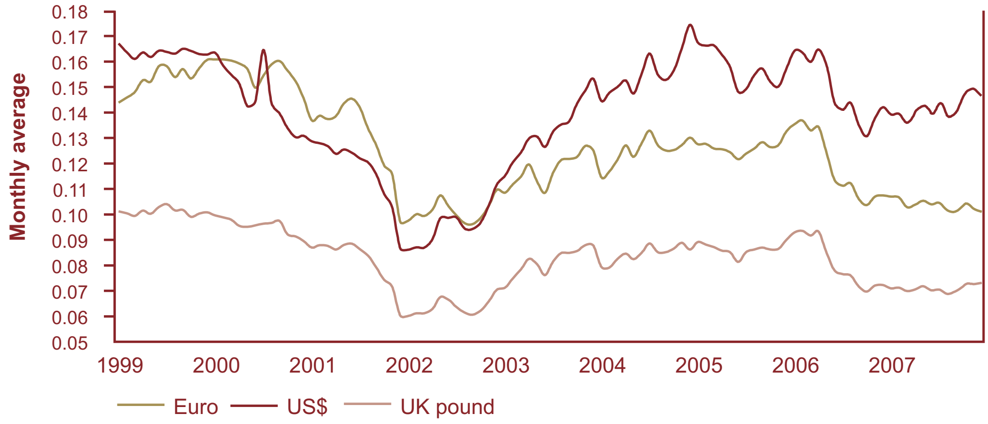
Local investors continued to be attracted to investing in portfolio instruments in the South African and offshore markets. As a result, Namibia's foreign assets were estimated to have increased to N$61.8 billion by the end of 2007, from N$40.8 billion at the end of 2006. Some improvements were also observed in the foreign asset positions of the categories Direct investment abroad, Other investments and Bank of Namibia international reserves for 2007 (Table C.8). On the liability side, the stock position stood at N$34.3 billion at the end of 2007, compared with N$31.3 billion recorded at the end of 2006. The increase in the country's foreign liabilities during 2007 was reflected in the subcomponent Foreign direct investment into Namibia, as Other investment subcomponent fell over the same period. Direct investment into Namibia increased by 34.1 percent to N$26.1 billion, while Other investment declined by 32.5 percent to N$7.7 billion at the end of 2007.

EXCHANGE RATES

MAJOR BILATERAL RATES

The Namibia Dollar depreciated against the US Dollar, Pound Sterling and Euro during 2007 (Chart C.31). The depreciation against these three major currencies was driven mainly by financial market turbulence that stemmed largely from a rising wave of risk aversion to emerging markets. This aversion to emerging economies in 2007 relative to the preceding year was driven, amongst other things, by the slowing global demand in the first quarter, which investors believed would deprive emerging markets of investment flows and also lead to low demand for metals; falling global stock markets – which caused investors to reduce carrying out trade in the second and third quarters; and widening credit losses tied to the US sub-prime mortgage, which caused investors to reduce carrying out trade in the third quarter.

Chart C.31: Foreign currency per Namibia Dollar



Source: SARB

As a result, year-on-year, the Namibia Dollar depreciated trading at an annual average of N$7.1917, N$14.1578 and N$9.5658 against the US Dollar, Pound Sterling and Euro, respectively. The magnitudes of depreciation were highest against the Pound Sterling at 11.7 percent, followed by the Euro at 11.0 percent, and then the US Dollar at 5.9 percent.

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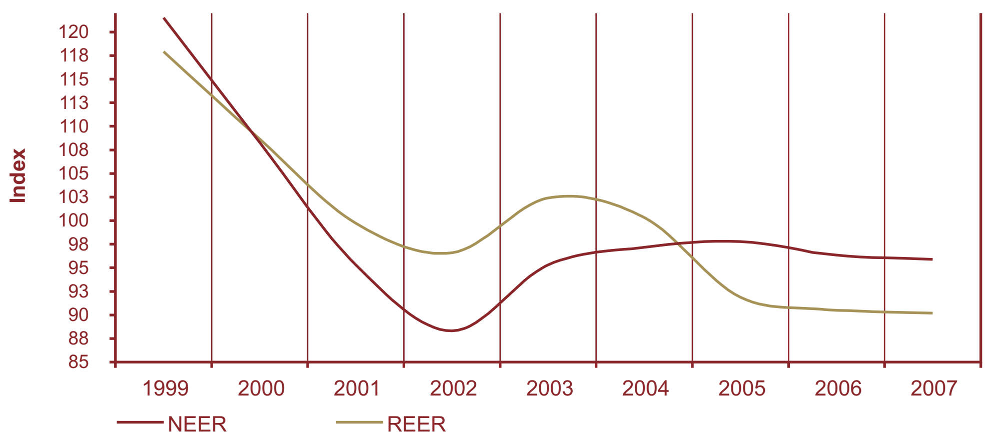
TRADE-WEIGHTED INDICES [23]

On a trade-weighted basis, the depreciation observed in both the nominal effective exchange rate (NEER) index and the real effective exchange rate (REER) index continued during 2007 (Chart C.32). The NEER index displayed a depreciation, year-on-year, of 0.5 percent during 2007 against major trading partners. The continuation of the depreciation was mainly due to the weaker Namibia Dollar during 2007, causing the index to fall marginally from 96.1 in 2006 to 95.6 in 2007. The REER also depreciated, reaching a point of 90.0 in 2007, compared with 90.4 in 2006. This implies that the competitiveness of Namibian products in international markets continued improving, year-on year.

Chart C.32: Trade weighted effective exchange rate indices

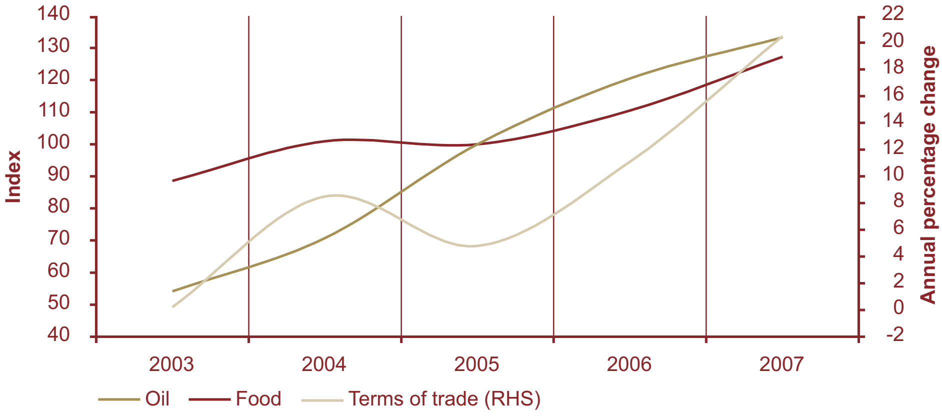


TERMS OF TRADE

When compared with the preceding year, Namibia's terms of trade is estimated to have improved during 2007. The terms of trade is estimated to have strengthened by 20.5 percent compared with an increase of 11.1 percent in 2006 (Chart C.33). A strong terms of trade means export prices rose faster than import prices. Although both the indices on oil and food prices – which are Namibia's major imports – remained high and rising in 2007, this was outweighed by high and firm commodity prices for copper, gold, uranium, and zinc.

[23] The indices are based on a geometric formula, while the bilateral exchange rates are indirectly defined. 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, and Yen. The REER Index, on the other hand, 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.

Chart C.33: Terms of trade



RHS = right-hand side
Source: IMF 2007

As a result, the high and rising indices of food and oil prices did not negatively impact on the terms of trade for Namibia. This is a significant development because Namibia is a net importer of food and fuel, with food constituting 14.0 percent and oil 10.4 percent of total imports in 2007, compared with 14.6 percent and 3.2 percent, respectively, in the preceding year. Furthermore, the rising rate of inflation also did not influence the direction in the terms of trade for Namibia.

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ECONOMIC PARTNERSHIP AGREEMENTS BETWEEN THE EUROPEAN UNION AND AFRICAN, CARIBBEAN, AND PACIFIC COUNTRIES

Introduction and background

African, Caribbean, and Pacific (ACP) countries have been engaged in trade negotiations with the European Commission (EC) for Economic Partnership Agreements (EPAs). These negotiations are provided for under the Cotonou Agreement, which forms the basis for trade, development, and political relations between the EU and ACP countries. Under the Cotonou Agreement, ACP countries enjoyed unilateral trade preferences into the EU market up to the end of 2007, i.e. at the expiry of the World Trade Organisation (WTO) waiver. Briefly, the WTO waiver allows ACP countries to continue exporting their products into the EU market under unilateral and discriminatory preferences, which are inconsistent with WTO rules.

EPAs are a response to continuing criticism that the non-reciprocal and discriminating preferential trade agreements offered by the EU under the Lomé Conventions/Cotonou Agreement were incompatible with WTO rules. This is because the Lomé preferential trade arrangement discriminates against non-ACP countries of the WTO in their trade with the EU. The EPAs are, therefore, meant to replace the Cotonou Agreement as a legal instrument for economic and trade relations between ACP countries and the EU, based on the principle of reciprocity of market access. This entails the phased-out removal of all trade preferences established between the EU and ACP countries since 1975, as well as the progressive removal of trade barriers between the two partners.

In line with the Cotonou principle of differentiation and regionalisation, ACP countries have negotiated under several regional groupings in which they intended to enter into EPAs with the EU. These regional groupings include the following:

- West Africa
- Central Africa
- the Southern African Development Community (SADC)
- East and Southern Africa (ESA)
- the East African Community (EAC), and
- the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM)

For the purpose of these negotiations, SADC comprised SACU countries – namely Botswana, Lesotho, Namibia, South Africa, and Swaziland – along with Angola, Mozambique, and Tanzania. Given that Tanzania is a member of the EAC as well, it opted to initial the Interim EPA under the EAC configuration, although it negotiated under the SADC banner.

Outcome and status of negotiations

At the time of writing, mixed progress had been made in different regions – with some regions having initialled the interim EPA (IEPA), including the ESA and EAC. Some regions have decided not to sign the IEPA, citing unbalanced outcomes that are likely to have negative implications on their economies.

In SADC, the IEPA text was initialled on 23 November 2007 by the EC on the one hand and four SADC EPA countries on the other. These countries were Botswana, Lesotho, Mozambique, and Swaziland. At the time, Namibia and South Africa had reservations on numerous issues, as elaborated below. Tanzania had decided to initial the EPA together with the EAC states. Angola remained committed to the configuration and "will join as soon as possible". Due to time constraints between the date set to initial the EPA and the deadline of 31 December 2007, the IEPA essentially covered only aspects related to trade in goods, while those on trade in services and new-generation trade issues (competition policy, investment, etc.) will be concluded during the second phase of the negotiations in 2008.

The following is a synopsis of some of the issues that Namibia considered of critical concern, which were not resolved during the final round of negotiations and which made the country reluctant to initial the IEPA at first, although it did so by December 2007 on the understanding that negotiations would continue in 2008.

Namibia could not accept the EC's demand for most-favoured-nation treatment for the EU in all future free trade agreements between SADC EPA countries and third parties. Acceptance of such a provision would pre-empt SADC EPA countries' negotiating space as EPA-plus preferential treatment will be accorded to the EU without any further concession from the EU side. Such a situation carries the potential to negate the balance of benefits of the negotiated EPA. In addition, such a provision would pre-empt the WTO provision for special and differential treatment with respect to any future preferential treatment SADC EPA countries may want to accord to developing or least developed countries with whom they decide to enter into preferential trade arrangements.

The EC's insistence on a clause for SADC EPA states to immediately freeze new measures concerning the use of export taxes was another issue of critical concern. Such a concession would limit the scope for national trade policymaking, with potentially far-reaching implications for Namibia's efforts to promote industrialisation and value addition to national raw materials.

The EC also insisted on a non-negotiable demand for a provision to ensure the free movement of goods within the eight SADC EPA states. Such a demand ignores the individual customs territories of the SADC EPA parties, current regional trade arrangements under SACU and SADC, and the regional economic integration programme under way in southern Africa.

Lastly, the parties could not agree on the scope and extent of an agreement on trade in services as well as other new-generation issues such as competition policy and investments.

Following further consultations with the EU, Namibia initialled the IEPA in December 2007. The initialling was based on the understating that the EC would reconsider the issues of serious concern to Namibia, including the option to allow for entering reservations on limited specific issues.

Conclusions and potential policy implications of the EPA on Namibia

Should the above concerns not be fully addressed by the EU, the possibility exists that Namibia might not sign the final EPA. The implications for Namibia's decision not to sign will be twofold: on the one hand, the EU will start to impose Generalised System of Preferences duties on Namibian exports to the EU market. This means that Namibian exports – especially beef, grapes, and fish – to the EU will attract higher import duties when they enter that market, making them uncompetitive. On the other hand, Namibia retains its national trade policy making for industrial policy and national development. The challenge under these circumstances is for the Namibian Government to continue exploring avenues to resolve the issues, and for the business community to explore alternative competitive markets – all with a view to find ways in which the negative impacts of the non-signature of the EPA on current exporters to EU and the economy as a whole can be mitigated. The long-term strategy will be for the Government, in partnership with the private sector, to intensify efforts towards diversification of products and export markets.

Should Namibia sign the EPA, it will have negative and positive implications. On the negative side, the main effect will be fiscal as revenue from international trade will be reduced, although the extent of such reduction will depend largely on the tariff cuts. The IEPA provides for tariff cuts on more than 80 percent of products imported into the SACU market. The loss of revenue, therefore, constitutes a central policy issue for ACP countries, including Namibia, as dependence on this source of revenue is extremely high and significant

in most instances. In West Africa, it has been estimated that almost a quarter of Government revenue was derived from import duties in 2001. In southern Africa, Lesotho and Namibia derive an average of over 50 percent and about 40 percent respectively, of their total revenues from international trade per annum. As tax rates are already high, finding new alternative sources of revenue would be a challenge for many of the ACP countries – including Namibia.

Being a part to the EPA also means that Namibian producers will face increased competition in their home market, SACU, and these may have implications for their production and its market share. Aggravating this concern is the fact that some of the EU imports, especially agricultural products, are subsidised. This implies an unfair advantage of their products over Namibian products, which are not subsidised. Furthermore, there could also be cases of dumping, which call for an effective competition policy and safeguards in place to protect the domestic industry.

On the positive side, the EPA will ensure that there will be no trade disruption after the expiry of the WTO waiver starting in 2008. Namibian products will have duty- and quota-free access to the EU market. Such access may encourage non-traditionally Namibian exports into the EU market. In the domestic market, increased competition and, therefore, competitive prices for consumers are expected.

The IEPA provides for the provisional implementation of the new interim arrangement by 1 January 2008 to avoid any disruption of trade and to secure improved market access. Implementation of the EPA, however, required fulfilment of the parties' constitutional procedures for signature, approval and ratification, which are normally lengthy. The EC will provisionally implement the IEPA on 1 January 2008 with ratification by EU member states during the course of 2008. In SADC EPA member states, the IEPA and full EPA will only be implemented once it has been ratified by the respective Parliaments, which could mean the IEPA's entry into force in SADC could take up to six months.

MONETARY AND FINANCIAL DEVELOPMENTS

As a response to curb inflationary pressure during 2007, an environment of rising interest rates emerged during the same period. The Bank rate was increased three times during the year, by a total of 150 basis points, causing subsequent increases in the prime lending rate. In line with these developments, there was a moderation in the growth of domestic credit extension by the banking sector, especially during the second half of the year.

MONEY SUPPLY

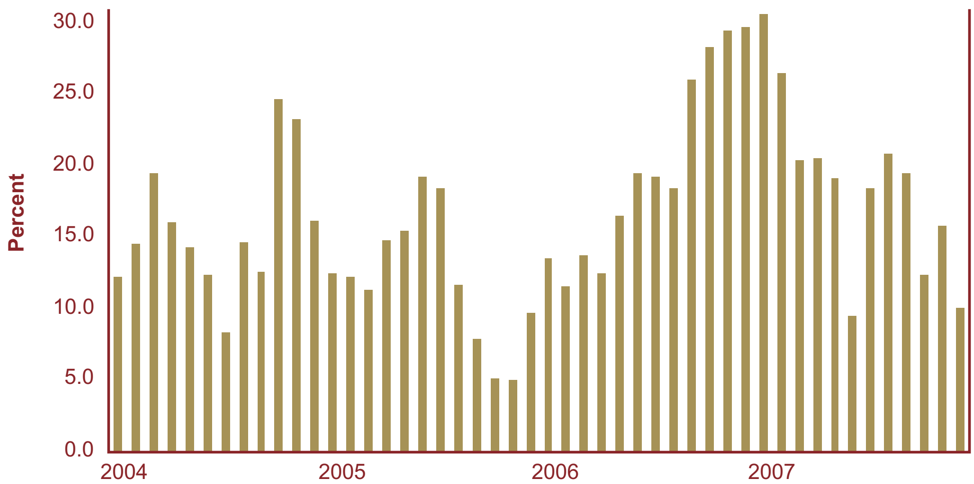
Table C.9: Components and determinants of money supply (N$ million)

	2006	2007	Annual percentage change	Contribution to change in M2
Net domestic credit	**2,727.4**	**1,814.6**	**6.4**	**8.1**
Claims on the private sector	4,019.8	4,071.7	14.4	18.1
Net claims on Central Government	-1,292.4	-2,257.2	-1,991.7	-10.0
Net foreign assets of the banking system	**5,000.8**	**1,989.5**	**41.1**	**8.8**
Other items net	**-3,470.4**	**-1,536.1**	**-14.3**	**-6.8**
Broad money supply	**4,257.8**	**2,268.0**	**10.1**	**10.1**

M2 = broad money supply

During 2007, annual growth in the broad money supply (M2) eased to an average rate of 18.7 percent, from that of 19.9 percent recorded during the preceding year (Chart C.34). Mainly responsible for the moderation of the growth in money supply in 2007 was a slowdown in the expansion of both Net domestic credit and Net foreign assets of the banking system, while Other items net declined.

Chart C.34: Twelve-months growth rates in M2



NET DOMESTIC CREDIT

The average annual growth rate of net domestic claims (claims on other sectors and Central Government) by the banking sector slowed significantly to 5.5 percent during 2007 from that of 16.6 percent in the previous year. The slow down in net domestic credit extended over the year was mainly reflected in a strong decline in net claims on Central Government, which resulted from a reduction in Government's net borrowing requirement owing to the budget surplus that was realised during the fiscal year. Growth in credit extended to other sectors of the economy, mainly the private sector, also slowed in response to tighter monetary conditions.

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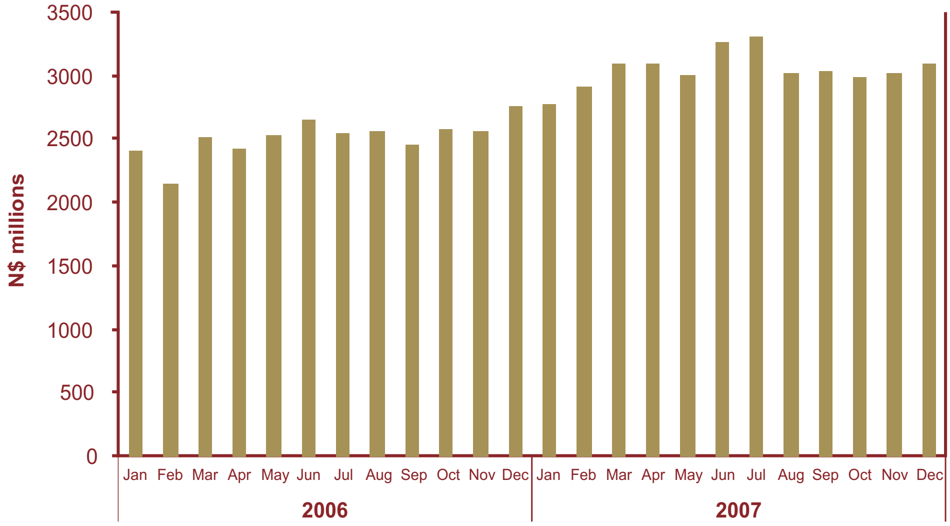
CLAIMS ON THE CENTRAL GOVERNMENT

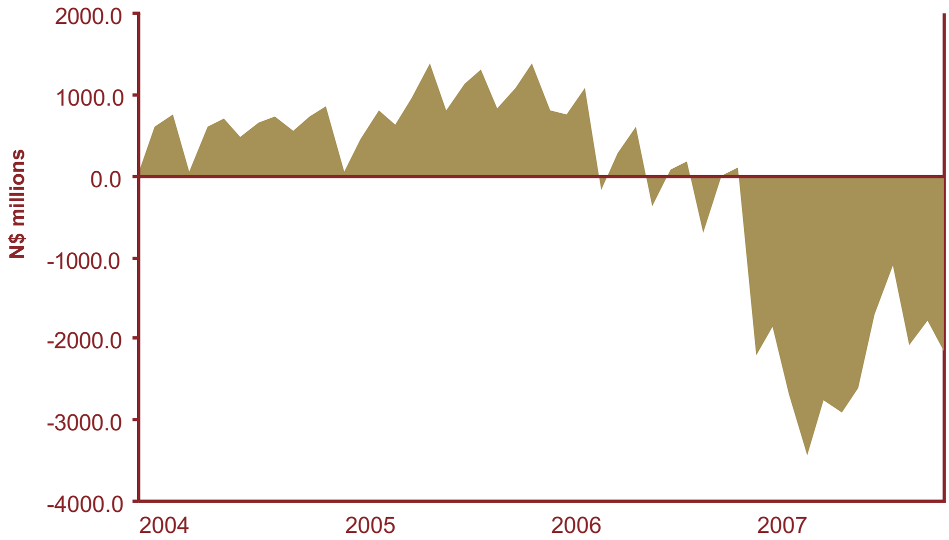
Claims on the Central Government grew at an average rate of 21.6 percent during 2007. The comparative figure was an increase of 20.2 percent recorded during 2006. Depository corporations' liabilities to the Central Government grew by an average of 148.3 percent in 2007, compared with a lower average growth rate of 111.4 percent during 2006 (Chart C.35).

Chart C.35: Claims on the Central Government



The net position of claims on and liabilities to Central Government declined by 2,133.3 percent during 2007, compared with a growth of 16.7 percent during the preceding year (Chart C.36). This is because Central Government was consistently a net claimant against Namibian depository corporations during the period under review. These developments emanated from Government's large cash deposits and the resulting low net borrowing requirement during the year, a situation that was brought about by the much-improved fiscal position, as reported in the Chapter on Public Finance herein. As a result, a net liability position emerged in 2007, in contrast to a net claim in the previous year.

Chart C.36: Net claims on the Central Government

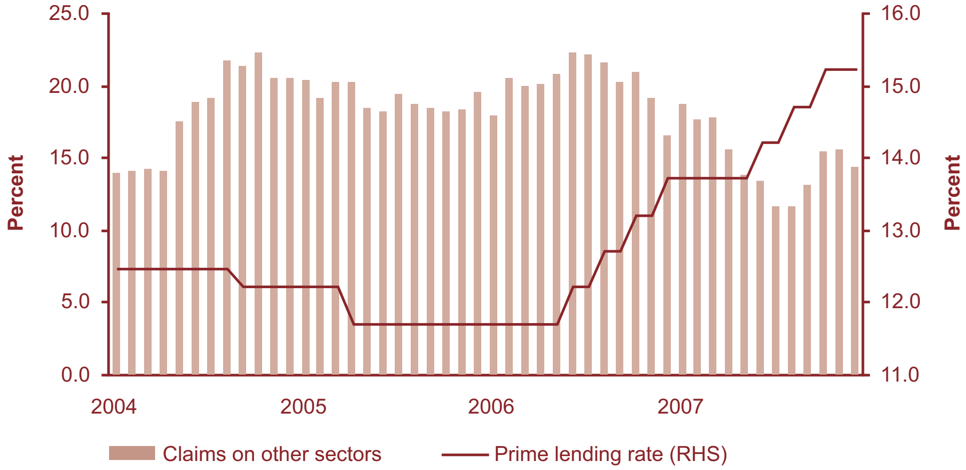


CLAIMS ON OTHER SECTORS[24] (NON-CENTRAL GOVERNMENT)

The annual average growth rate of claims on the non-Central Government sector slowed to 14.9 percent during 2007, from 20.2 percent recorded during 2006. On an annual basis, growth in credit extended to other sectors declined marginally to 14.4 percent at the end of December 2007, from 16.6 percent in December 2006 (Chart C.37). The decelerating growth in claims on the non-Central Government sector that started during the second half of 2006 could be attributed to the impact of high interest rates during that period.

[24] Other sectors include state, regional and local government, and the private sector.

Chart C.37: Claims on other sectors



RHS = right-hand side

A closer look at credit to the non-Central Government sector shows that the average annual growth rate of credit to the private sector slowed to 13.6 percent in 2007, from 18.3 percent in 2006. This is explained by the reaction to tighter monetary conditions that prevailed throughout 2007. A further breakdown of private sector credit shows that credit extended to both other resident sectors (individuals) and other non-financial corporations (businesses) moderated during 2007, although the slowdown was less pronounced in the case of businesses. This is because businesses are less responsive to interest rates as the borrowing costs they incur can be passed on to consumers.

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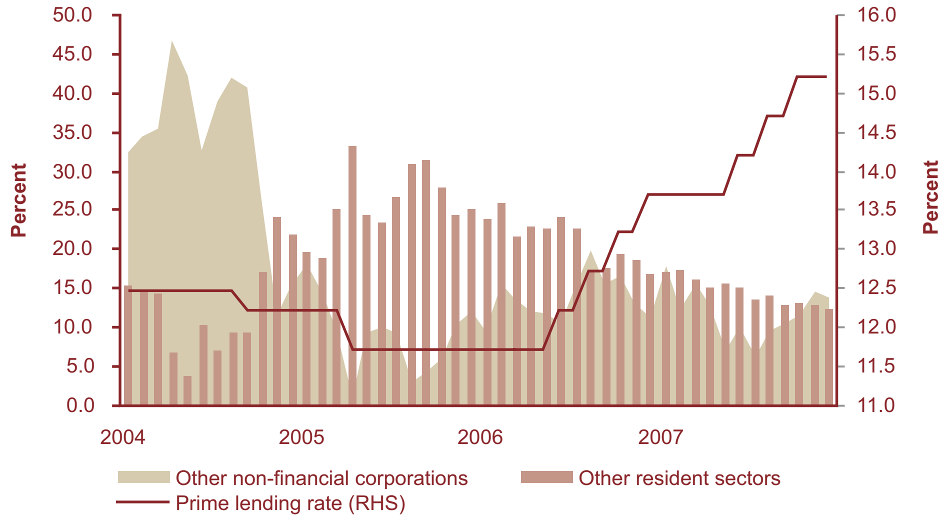
Chart C.38: Private sector credit



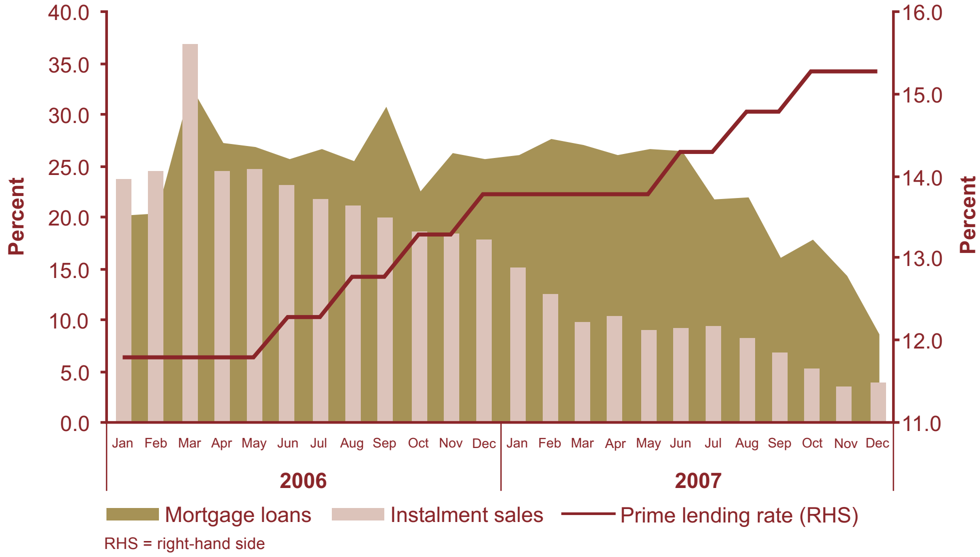
RHS = right-hand side

Annual growth in claims on individuals slowed to an average of 14.6 percent during 2007, from that of 21.1 percent recorded during the previous year. Claims on other businesses increased by 11.9 percent during 2007, compared with a slightly higher average growth of 13.7 percent recorded for 2006 (Chart C.38).

Collateralised lending[25] by other depository corporations moderated to 18.3 percent during the year under review, from an average growth rate of 25.1 percent during 2006. The trend was also downward when one compares the growth at the end of 2007 with that of 2006. At the end of 2007, growth in collateralised lending slowed to 7.4 percent, compared with 23.6 percent at the end of the previous year. The growth of the mortgage loans sub-category slowed during 2007 to an average of 21.7 percent, compared with an average growth of 25.9 percent during 2006. Further, a lower growth of 8.6 percent was recorded at the end of the year, which is indicative of the impact of higher borrowing costs on consumers' mortgage borrowing.

[25] Collateralised lending includes mortgage loans other than those granted for the purchase of farms and instalment sales.

Chart C.39: Asset-backed credit



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Instalment credit is mainly used by consumers to finance expenditure on motor vehicles and other durable goods.[26] This credit category registered a much lower average growth of 8.6 percent during 2007, as opposed to 22.9 percent registered for 2006. The end of 2007 witnessed a much lower average growth rate of 3.8 percent, compared with 17.8 percent in the previous year (Chart C.39).

The growth in other loans and advances[27] displayed an upward trend during 2007 despite the increased cost of borrowing, registering an average growth rate of 14.0 percent – much higher than an average of 1.7 percent recorded for 2006. The higher growth rate in 2007 can be ascribed to the fact that, in a high interest rate environment such as that witnessed during 2007, consumers tend to shift from traditional borrowing to these other products as they become relatively cheaper.

NET FOREIGN ASSETS

The net foreign asset position of depository corporations improved during 2007, mainly due to a significant increase in the Bank of Namibia's net foreign assets. The 97.4 percent average expansion in Net foreign assets of the Bank of Namibia during 2007 was driven by improved foreign exchange reserves. The Other Depository Corporation's (ODCs) net foreign assets, on the other hand, declined during 2007 in comparison to 2006, registering an average decline of 151.9 percent during the year compared with a corresponding growth of 2.0 percent in 2006.

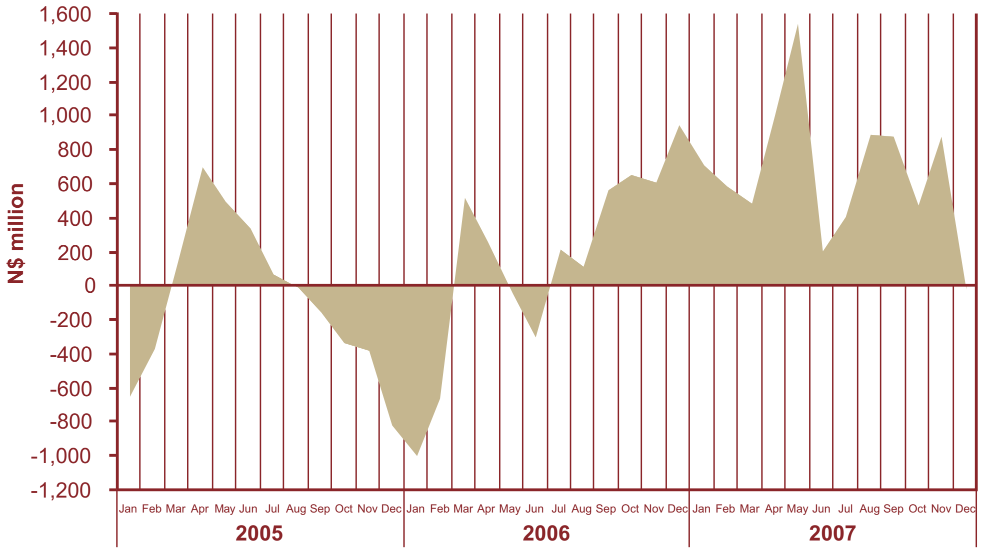
BANKING SYSTEM LIQUIDITY

With the exception of December, when a deficit was recorded, the overall liquidity position[28] of commercial banks recorded a surplus throughout 2007 (Chart C.40). During January 2007, the overall liquidity surplus position averaged at N$1.0 billion, before slowing down to N$0.4 billion in June. However, the position increased again in November, recording a surplus of N$1.0 billion before recording a deficit of N$21.8 million by the end of December 2007.

The balances of the commercial banks liquidity position in South Africa moved from a surplus of N$990.3 million at the end of January to a lower balance of only N$91.3 million at the end of December 2007. On the other hand, the average liquidity position of commercial banks with the Bank of Namibia was negative throughout the year under review. The commercial banks' shortage position recorded with the Bank of Namibia was at N$41.2 million at the end of January, going up to N$113.1 million by the end of December 2007. The observed shortage explains a net lending position to commercial banks, which is mainly a result of the lack of an active interbank market.

[26] Instalment credit is 80 percent vehicle financing.
[27] Other loans and advances consist of structured finance deals (preference shares) to individuals and corporate clients.
[28] This consists of the net position at the Bank of Namibia and parent companies in South Africa.

Chart C.40: Overall liquidity of commercial banks



The overall liquidity surplus observed in the banking system for most of 2007 could be explained by, amongst others, increased deposits in the special account held with ODCs for the redemption of Government bonds. Furthermore, the increase in the overall liquidity situation of the money market in 2007 could also be attributed to a significant net redemption of Government securities observed in the 2007/8 fiscal year. Issuances of Government security usually help mop up liquidity in the market. Although some local institutions issued debt securities in 2007, the impact of this move on draining liquidity was minimal. Also contributing to the overall excess surplus during 2007 were large cash deposits by mining companies, and the transfer of funds into the country by portfolio managers to comply with statutory requirements and internal investment guidelines on the composition of equity and fixed income in the respective portfolios. Due to the acute shortage of fixed income securities, these funds were parked in bank deposits, and thus helped increase the liquidity of banks.

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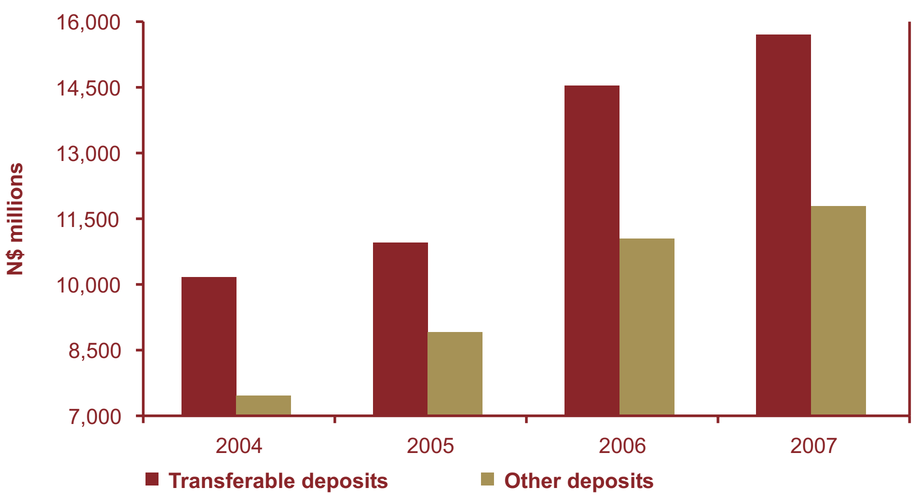
OTHER DEPOSITORY CORPORATIONS' SOURCES OF FUNDS

The total deposits held with other depository corporations rose to N$27.5 billion by the end of 2007, from N$25.6 billion mobilised in 2006. The upward trend in total deposits was reflected in the category Transferable deposits, whose average growth rate rose by 24.4 percent during 2007, from that of 22.2 percent in the preceding year (Chart C.41). Other deposits also contributed to the growth when it registered an average growth of 12.3 percent during the year, slightly higher than the average of 11.9 percent reported for the previous year.

Chart C.41: End-of-period composition of ODCs' deposits



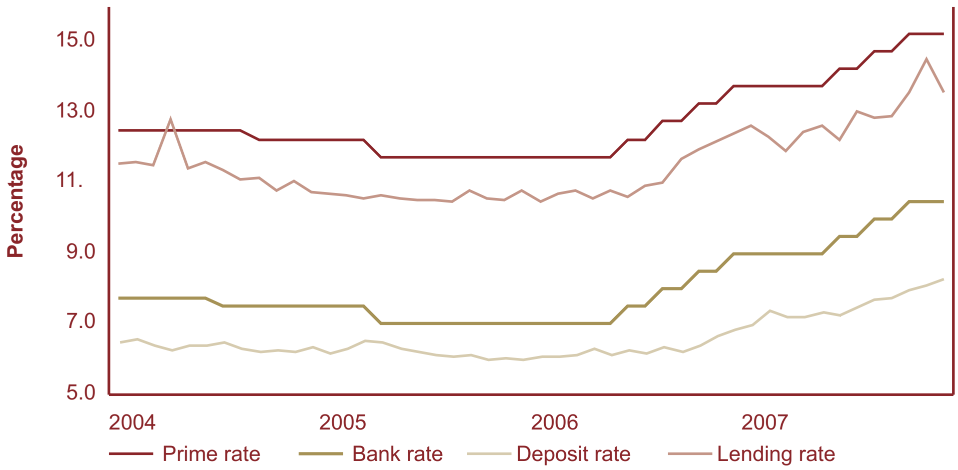
MONEY MARKET DEVELOPMENTS

MONETARY POLICY AND INTEREST RATE DEVELOPMENTS

In order to curb mounting inflationary pressure originating largely from high and rising food and oil prices, the stance of global monetary policy was generally tight in 2007. In this connection, the Bank of Namibia increased the Bank rate three times during the year in order to continue maintaining stable prices. The Bank rate rose from 9.00 percent in January to 9.50 percent in June, before it increased to 10.50 percent in October. Accordingly, the commercial banks' prime lending rate had risen to 15.25 percent by December 2007, from 13.75 percent in January.

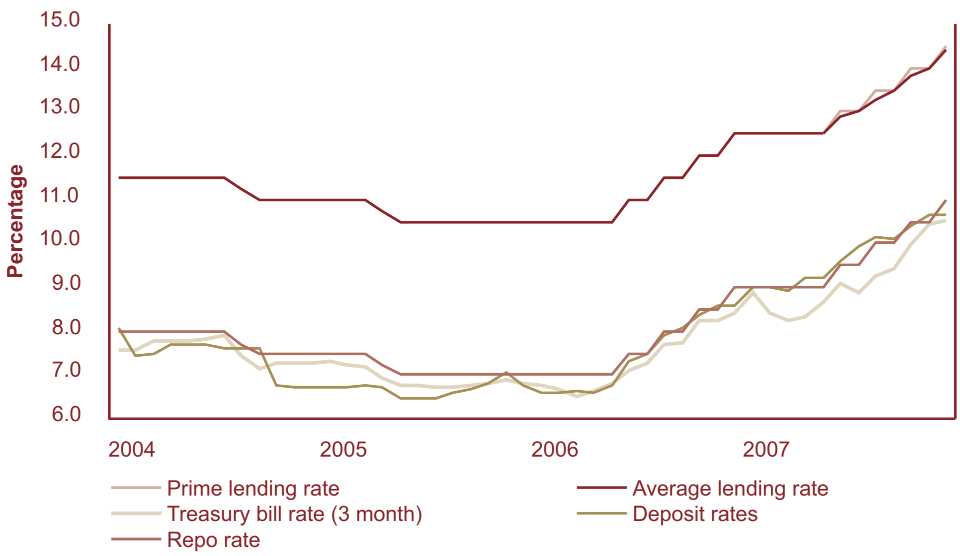
The average lending rate for commercial banks had risen from 12.63 percent in January to 13.59 percent by the end of December. The average deposit rate also maintained an upward movement, moving from 6.98 percent in January to 8.28 percent by the end of December (Chart C.42). As a result, the nominal spread between the lending and deposit rates declined from 5.65 percent at the beginning of the year to 5.31 percent by the end of 2007. In real terms, both the lending and deposit rates moved in the same direction, presenting a moderate downward trend between January and October 2007 as a result of rising inflation.

Chart C.42: Selected interest rates (Namibia)



Due to the CMA arrangement, it is necessary to keep track of interest rate developments in Namibia and in South Africa. The repo rate in South Africa, which is equivalent to the Bank rate in Namibia, rose by 200 basis points to 11.0 percent between January and December. Subsequently, the prime lending rate increased to 14.50 percent in December, from 12.5 percent at the beginning of the year (Chart C.43).

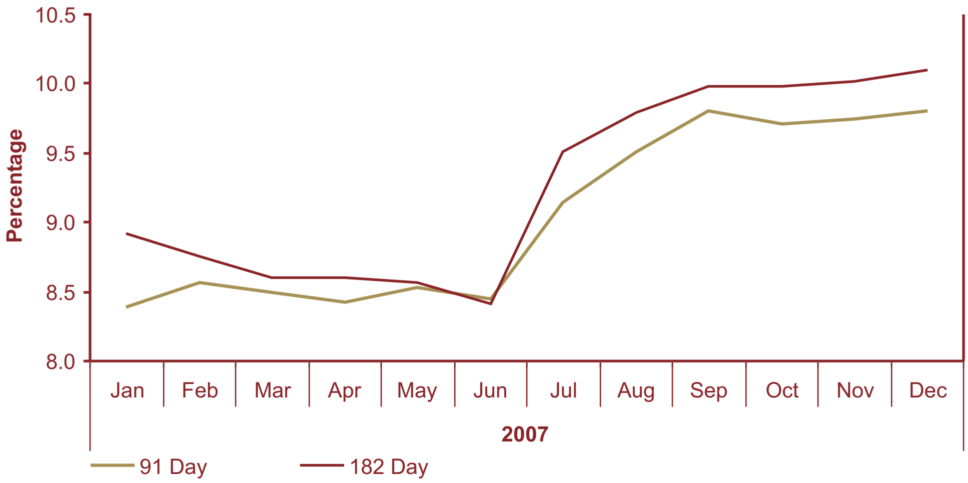
Chart C.43: Selected interest rates (South Africa)



Similarly, in line with these increasing trends, both the average lending rate and the deposit rate increased from 12.50 percent to 14.39 percent and 9.00 percent to 10.65 percent, respectively, between January and December 2007. Hence, the nominal spread widened slightly to 3.74 percent in December, from 3.50 percent in January.[29]

Looking at the market for short-term instruments in Namibia, the effective yield of the 91-day Treasury bills had moved from 8.39 percent in January to 9.80 percent by the end of 2007. Similarly, the 182-day Treasury bills' effective yield increased to 10.10 percent in December from 8.92 percent in January of the year under review (Chart C.44). The increases observed in the average rates for these instruments could be a reflection of the upward trend in interest rates. The upward trend in interest rates was mainly caused by the shortage of paper in the market, which affected Treasury bill interest rates, also leading to the widening spreads between the Namibian and South African Treasury bill rates. The spread between the 91-day Treasury bill increased from 0.21 percent in January to 1.66 percent in December, with the spread on 182-day Treasury bills moving up from 0.25 percent to 0.81 percent between January and December 2007.

Chart C.44: Treasury bills' effective yields



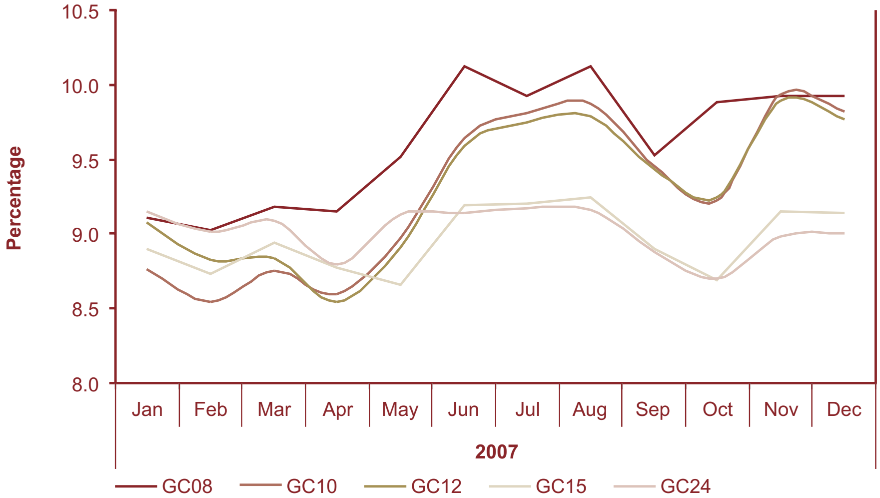
BOND MARKET DEVELOPMENTS

GOVERNMENT BOND YIELDS

The developments in the capital markets in 2007 reflected the effects of the high interest rate environment that prevailed during the year. An upward trend was observed in the effective yields of all Government bonds, with the exception of the GC24. The increase in bond yields was mainly a result of tighter monetary conditions experienced in the year. Yields on shorter-dated securities, namely GC08 and GC10, rose by 81 basis points and 106 basis points to 9.92 percent and 9.82 percent, respectively, during the year under review. Similarly, the yield on the GC12 was 69 basis points higher, at 9.77 percent in December 2007, than they had been in January 2007 (Chart C.45). GC15 followed the same trend experienced by other Government bonds, rising by 15 basis points to 9.14 percent. On the other hand, the yield on the GC24 recorded a decrease of 15 basis points for the year, suggesting inadequate supply of longer-dated paper, which is mainly bought and held to maturity by institutional investors.

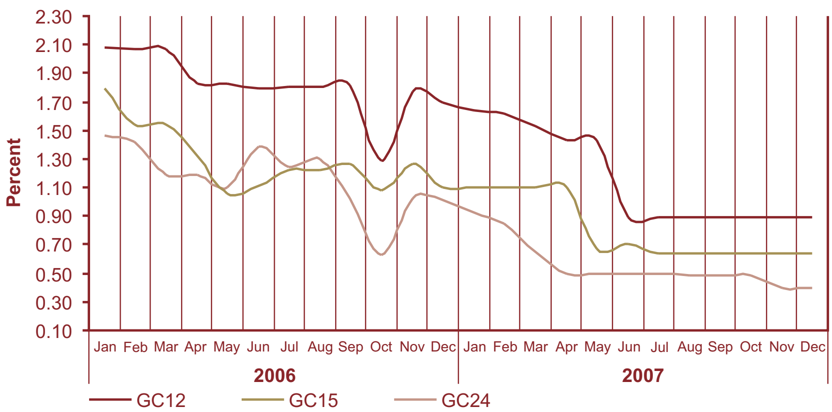
[29] The average deposit and lending rates in Namibia and South Africa are not comparable due to variations in the methods used in computing them.

Chart C.45: Government bond yields



The average spread between the Namibian Government bonds in comparison with the South African Government benchmark bonds narrowed during the review period (Chart C.46). The narrowing of spreads was expected, given the supply constraint of debt instruments experienced in Namibia and the country's positive credit rating, which eroded part of the risk premium. The lack of supply was due to the improved fiscal position of the Central Government, which evolved into a situation where Government decided not to issue any bonds during the 2007/8 fiscal year.

Chart C.46: Spread between internal registered stock and benchmark bonds[30]



CORPORATE BONDS

Over the past few years, except in 2007/8, the Government has been the major player in the local bond market, issuing on average around 85.0 percent of total debt instruments in the market. Given Government's improved fiscal stance in recent years, the supply of corporate bonds debt instruments to the market was quite low.

The Government alone cannot be relied upon to satisfy the needs of the market. Hence, corporate institutions need to come on board. During 2007 the Government specifically encouraged State-owned enterprises and local authorities with sound balance sheets to raise their own funds by issuing debt capital in the market. This approach not only helps further develop the local capital market, but will also help ease the constrained supply of debt instruments in the market and take the pressure off Central Government as the sole and largest supplier of such instruments.

The Government's approach of encouraging State-owned enterprises to issue debt delivered some success during 2007. In the year under review, NamPower became the first parastatal to issue debt without any Government guarantee. The bond was listed on both the Namibian Stock Exchange (NSX) and the Bond Exchange of South Africa,

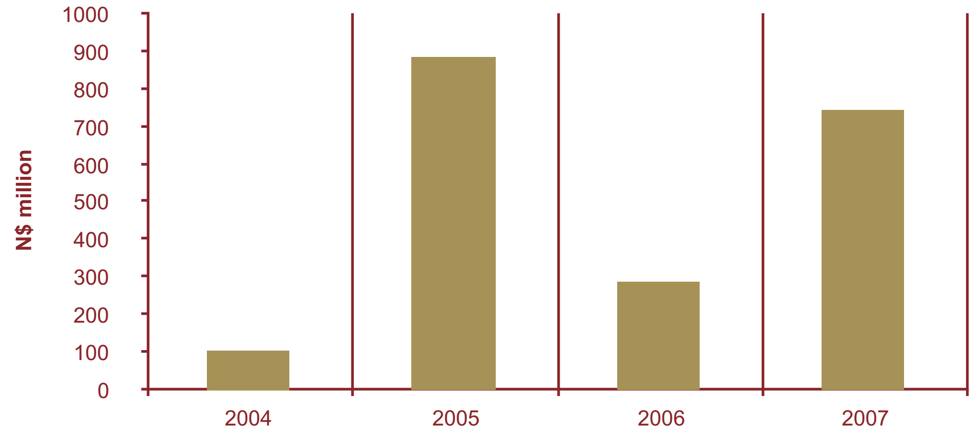
[30] The GC12 is benchmarked against the ZAR153, the GC15 is benchmarked against the ZAR157 while the GC24 is is against the ZAR186.

and was placed with investors in both countries. NamPower intends to raise more funds for infrastructural projects in a similar manner in the near future. The Road Fund Authority was the only another parastatal with bonds on issue during the year under review.

The total corporate debt outstanding has been growing over the past few years, and reached N$2.2 billion by end of 2007. This represents a significant expansion of 54.3 percent from the level of N$1.4 billion experienced at the end of 2006.

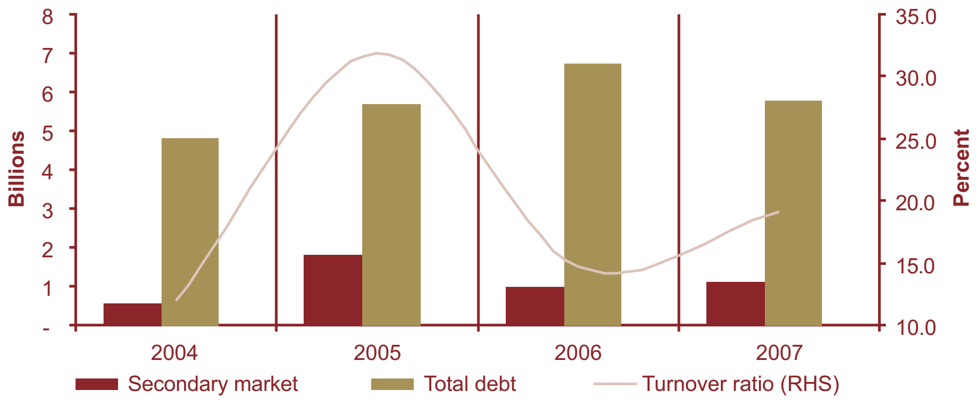
Trading of corporate bonds in the secondary market has also improved over recent years. Up to N$0.7 billion of the N$2.2 billion outstanding corporate bonds traded on the NSX in 2007. Although this was a huge improvement, the trading for corporate bonds in the secondary market still has a long way to go in improving liquidity. During 2007, the turnover ratio for corporate bonds was only 33.6 percent, which suggests that the corporate bond market is illiquid (Chart C.47). The relatively higher trades in 2007, compared with 2006, could be explained by the additional bonds issued in 2007.

Chart C.47: Secondary market trades for corporate bonds



It is worth noting, however, that corporate bond trading is more liquid than Government bonds, which stood at 19.1 percent over the same period (Chart C.48). Although a larger value of Government bonds is outstanding relative to corporate bonds, only N$1.1 billion of the N$5.8 billion outstanding Government bonds traded on the secondary market during 2007. This can be attributed to investors being reluctant to sell their Government holdings, fearing that it will be difficult to acquire them again – given the supply constraint.

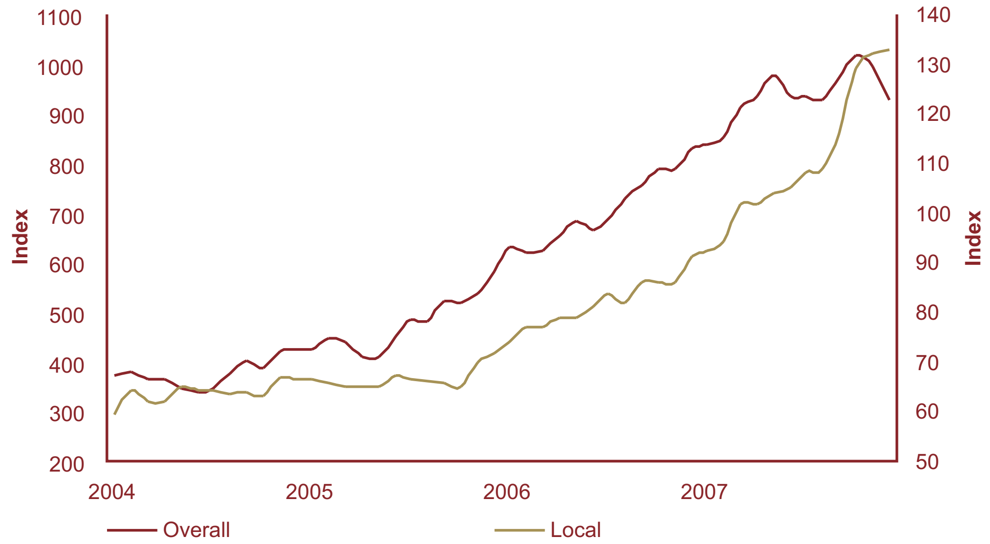
Chart C.48: Turnover ratio for government bonds



EQUITY MARKET DEVELOPMENTS

Despite the persistent volatility in global financial markets, the performance of the NSX, especially the local index, was strong during 2007 (Chart C.49). On average, the local index – which measures the performance of Namibian companies primarily listed on the NSX – rose to 133.0 points by the end of December, from 92.2 points at the end of January 2007, representing an increase of 44.2 percent. Consequently, local market capitalisation rose from N$4.0 billion at the end of January to N$4.8 billion at the end of December 2007.

Chart C.49: NSX price indices



Source: NSX

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The overall price index increased from 828.55 points in January, to 929.4 points by the end of 2007, representing an increase of only 12.2 percent, compared with an increase of 30.8 percent in 2006. The slower performance of the Namibian stock market in 2007 in comparison with the previous year was in line with the international market turbulences resulting from the US sub-prime mortgage crisis. Despite this slower growth, overall market capitalisation increased from N$1.1 trillion in January to N$1.2 trillion by the end of 2007. The overall turnover for 2007 totalled at N$10.9 billion, compared to N$6.7 billlion in 2006.

Namibian parastatals and other corporates continue to use the NSX as a vehicle to raise capital. For instance, NamPower listed new bonds worth N$500 million in 2007.

Another development in the equity market during 2007 was the listing of Forsys Metals Corporation and Xemplar Energy Corporation on the Development Capital Board (DEVX). The NSX established the DEVX specifically to facilitate listings of new ventures and businesses that do not have an adequate track record, and do not comply with the usual NSX listing requirements.

PUBLIC FINANCE[31]

Fiscal policy in Namibia is geared towards fiscal prudence and discipline as part of the overall macroeconomic strategy of laying a foundation for sustainable economic development over the long term. In the 2006/07 fiscal year, which spanned from 1 April 2006 to 31 March 2007, the country achieved its first budget surplus of 4.8 percent of GDP since Independence, and a further budget surplus of 1.1 percent of GDP is projected for 2007/08. The redemption of the GC07 in July 2007 was instrumental in bringing about a decline in Central Government debt, to 21.8 percent of GDP in 2007/08. This ratio is both below the debt target set by Government of 25.0 percent of GDP, and the 'BBB' Fitch rating median of 29.0 percent. However, these budget surpluses recorded in 2006/07 and 2007/08 turned into a deficit of N$1.6 billion, or 2.7 percent of GDP in 2008/09 due to a huge increase in government spending while revenue increased more slowly than expenditure. It is important to note that this budget deficit of 2.7 percent of GDP is, however, within government's target of 3 percent of GDP

REVENUE AND GRANTS[32]

Total revenue for 2006/07 increased to N$17.6 billion, which is 15.0 percent higher than the original estimate of N$15.3 billion and 34.2 percent higher than the previous fiscal year. The main drivers behind improved revenue collections are the following:

Extraordinarily high receipts from SACU, which increased to N$6.7 billion from N$3.9 billion.

The once-off proceeds from the sale of shares of the State-owned mobile phone operator (MTC) to the tune of N$648 million in 2006.

Increased incomes from entrepreneurial and property tax.

Improved tax compliance due to the compliance auditing exercise.

Further, projections show that the total revenue and grants are expected to increase to N$18.4 billion in 2007/08, N$20.8 in 2008/09, N$21.8 billion in 2009/10 and 22.6 billion in 2010/11 fiscal year, (Table C.10).

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Table C.10: Total revenue and grants for Central Government (N$ million)

	Actual		Estimate			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
GDP	**41,526**	**48,228**	**53,564**	**59,516**	**64,590**	**70,017**
Tax on income and profits	4,576	5,676	5,201	6,637	7,101	7,431
Taxes on properties	110	142	134	166	185	208
Domestic taxes on goods and services	3,272	3,197	3,488	3,933	4,209	4,505
Tax on international trade (SACU)	3,892	6,698	8,085	8,502	8,500	8,600
Other taxes	113	130	134	146	150	155
Total tax revenue	**11,964**	**15,843**	**17,042**	**19,383**	**20,144**	**20,900**
As percent of GDP	29	33	32	33	31	30
Entrepreneurial and property income	543	1,264	663	816	897	992
Fines and forfeitures	18	19	24	24	24	24
Administrative fees and charges	512	401	432	476	403	563
Return on capital from lending and equity participation	32	17	24	34	30	29
Total non-tax revenue	**1,105**	**1,701**	**1,142**	**1,349**	**1,353**	**1,607**
As percent of GDP	3	4	2	2	2	2
Total revenue (own sources)	13,069	17,544	18,183	20,732	21,498	22,507
Grants	39	50	204	141	255	133
Total revenue and grants	**13,108**	**17,593**	**18,387**	**20,873**	**21,753**	**22,640**
As percent of GDP	32	37	35	35	34	32

Source: Ministry of Finance

31 All estimates on the budgetary developments in this section are from the Ministry of Finance, and refer to fiscal years from 1 April in one year to 31 March the following year, except for 2007/08, which necessarily only reflect the first three calendar quarters. All quarters mentioned under this section are fiscal quarters and not calendar quarters; implying the third fiscal quarter is the fourth calendar quarter.
32 Grants in this section only refer to those received through the Ministry of Finance.

Receipts from SACU contributed N$6.7 billion to total revenue and grants, which is 72.1 percent higher than the 2005/6 contribution of N$3.9 billion. SACU receipts accounted for 38.3 percent of total revenue and grants. A decline of 2.6 percent was recorded in the collection of domestic taxes on goods and services. This category comprises VAT, levies and licence fees. Looking ahead, total Central Government revenue and grants for 2007/08 is estimated to rise to N$18.4 billion, representing 34.5 percent of GDP (Table C.10). The increase in total revenue and grants for 2007/08 is reflected mainly in tax revenue, especially tax on international trade, and also tax on income and profits. Non-tax revenue, particularly entrepreneurial and property income, is estimated to decline, thus slightly offsetting the increase in Central Government's estimated tax revenue.

EXPENDITURE AND OUTLOOK

The actual total Central Government expenditure for 2006/07 was N$15.3 billion, which is 15.9 percent above the figure recorded in 2005/06 financial year (Table C.11). As a percentage of GDP, total expenditure represents 31.7 percent during 2006/7. The increase was reflected in both current and capital expenditure, which rose by 8.6 percent and 62.1 percent, respectively. As a percentage of GDP, current expenditure decreased by 1.7 percentage points during 2006/07, while capital expenditure rose by 1.6 percentage points in that period.

Total government expenditure for 2007/08 is estimated at N$17.8 billion, an increase of 16.7 percent. Projected current expenditure is to remain at 26.1 percent of GDP, but will increase to 29.2 percent in 2008/09 and will fall in 2009/10 and 2010/11 to 26.5 percent and 25.1 percent of GDP, respectively. With an exception of 2008/09 fiscal year, a positive outlook is painted for Namibia's fiscal position, with budget surpluses being projected for the fiscal years 2007/08, 2009/10 and 2010/11.

Table C.11: Central Government total expenditure (N$ million)

	Actual		Estimates			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
GDP	**41,526**	**48,228**	**53,564**	**59,516**	**64,590**	**70,017**
Personnel expenditure	5,888	6,214	6,725	7,709	7,808	8,116
Expenditure on goods and other services	1,922	2,165	2,995	3,731	3,561	3,739
Statutory expenditure	1,186	1,475	1,202	1,331	1,441	1,290
Subsidies and other current transfers	2,545	2,749	3,067	4,630	4,304	4,410
Total current expenditure	**11,542**	**12,603**	**13,989**	**17,400**	**17,113**	**17,555**
As percent of GDP	28	26	26	29	27	25
Total capital expenditure	**1,651**	**2,676**	**3,838**	**5,064**	**4,635**	**4,316**
As percent of GDP	4	6	7	9	7	6
Total expenditure	**13,193**	**15,279**	**17,827**	**22,465**	**21,749**	**21,871**
As percent of GDP	32	32	33	38	34	31

Source: Ministry of Finance

All components of current expenditure continued to rise. Personnel expenditure was 4.4 percent higher than in 2005/06, which was attributed to an increase in remuneration. Expenditure on goods and services was 12.6 percent higher, mainly because subcomponents such as transport and utilities increased significantly due to increasing fuel prices. Subsidies and other current transfers increased by 8.0 percent due to higher transfers in the form of social grants to vulnerable groups, and subsidies to parastatals and non-profit organisations. Interest and related charges increased sharply by 24.4 percent. This increase was mainly caused by the switching from domestic short-term to long-term debt instruments that are more expensive. Furthermore, the depreciation of the Namibia Dollar against major foreign currencies contributed to the increase.

Central government spending for the 2008/09 fiscal year is one of the largest expansions since independence. Contributions to this expansion include spending on social grants (pensioners, OVCs and Veterans) as well as subsidies and other transfers to State-Owned-Enterprises. Total spending on social grants increased to N$ 1.3 billion, which is 5.8 percent of total government spending in 2008/09. Subsidies and other transfer to state owned enterprises, on the other hand, increased from N$3.0 billion to N$4.6 billion, which is 20.4 percent of total government spending in 2008/09. The only daunting task lying ahead is whether such a huge increase in government spending especially, subsidies to non-performing state-owned-enterprises can yield lasting economic benefits.

BUDGET BALANCE

Substantial fiscal consolidation has taken place since 2003/04, when a large deficit of 7.3 percent of GDP was recorded. Tighter expenditure control, improved tax administration, and strong SACU revenues have changed this scenario to a surplus − the first since Independence. A surplus of N$2.3 billion, or 4.8 percent of GDP, was achieved during 2006/07, strongly contrasting the deficit of N$84.9 million recorded in 2005/06 (Chart C.50).

The estimated total revenue and expenditure for 2006/07 were N$15.2 billion and N$15.1 billion, respectively. However, the actual figures of total revenue rose to N$17.6 billion and total expenditure to N$15.2 billion. Revenue earned through exceptional SACU receipts and the sale of Government shares in MTC brought about these positive developments.

A surplus of 1.1 percent of GDP is projected for 2007/08 due to a further increase in SACU revenue. This will be as a result of a final transfer relating to the adjustment from the old formula, as well as the distribution of excess revenue from 2005/06. However, Central Government's budget balance is estimated to record a deficit of N$1.6 billion, or 2.7 percent of GDP in 2008/09 due to a huge increase due to a huge increase in government spending while revenue grew only marginally.

Despite of a budget surplus of 1.1 percent of GDP in 2007/08, Government's fiscal position showed a smaller surplus of N$204.8 million, or 0.4 percent of GDP (Table C.12). This is due to the expenditure on foreign loans disbursement recorded outside the main budget. Furthermore, Government's fiscal position showed substantial deficits of N$3.5 billion, or 5.9 percent of GDP during the 2008/09 fiscal year.

Budget surpluses, on the other hand, for 2009/10 and 2010/11 fiscal years turned into deficits of 2.3 percent of GDP and 0.9 percent of GDP, respectively when including government's expenditure financed outside budget (Table C.12). This situation shows that the budget balance of the government does not truly reflect the fiscal position of government due to the fact that government also acquires some additional expenditure that are not captured within the budget.

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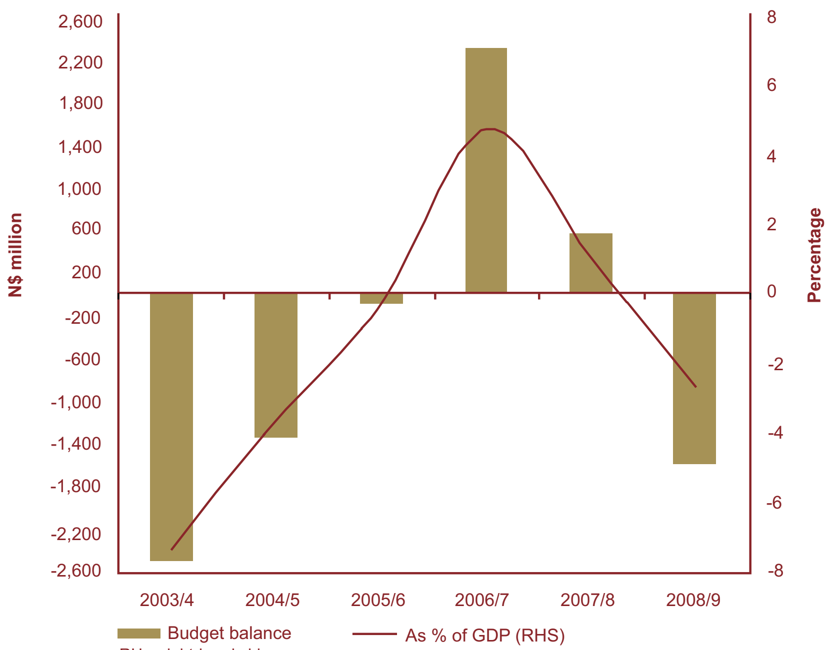
Chart C.50: Budget balance



RH = right-hand side
Source: Ministry of Finance

Table C.12: Budget and fiscal balances (N$ million)

	Actual		Estimates			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
GDP	**41,526**	**48,228**	**53,564**	**59,516**	**64,590**	**70,017**
Budget balance[33]	-85	2,314	560	-1,592	4	769
As percent of GDP	-0.2	4.8	1.1	-2.7	0.0	1.1
Expenditure outside budget	-419	-38	-355	-1,913	-1,485	-1,420
Fiscal balance[34]	-503	2,276	205	-3,505	-1,481	-652
As percent of GDP	-1.2	4.7	0.4	-5.9	-2.3	-0.9

Source: Ministry of Finance

33 This balance excludes expenditure financed outside the Main budget.
34 This balance includes expenditure financed outside the Main budget. Normally there are projects financed directly from foreign loans.

CENTRAL GOVERNMENT DEBT AND INSTRUMENTS

Central Government debt stock outstanding at the end of December 2007 stood at N$11.6 billion, down from N$13.6 billion in the preceding period (Table C.13). At 22.0 percent of GDP, this was slightly lower than the 28.0 percent recorded for the previous year. The decrease in total debt was reflected in domestic debt while foreign debt increased slightly.

Table C.13: Central Government debt at end of reporting period (N$ million – actual)

	2003/04	2004/05	2005/06	2006/07	2007/08		
					Q1	Q2	Q3
GDP	**34,506**	**37,300**	**41,526**	**48,228**	**53,564**	**53,564**	**53,564**
Foreign debt stock	**1,607**	**2,016**	**1,843**	**2,710**	**2,769**	**2,696**	**2,873**
Bilateral	926	1,181	1,019	1,630	1,586	1,435	1,494
As percent of total	58	59	55	60	57	53	52
Multilateral	682	835	824	1,080	1,184	1,363	1,380
As percent of total	42	41	45	40	43	46	48
Foreign debt as percent export	**11**	**14**	**13**	**18**	**19**	**19**	**20**
Domestic debt stock	**8,606**	**10,543**	**10,690**	**10,928**	**10,678**	**9,032**	**8,782**
Treasury bills	5,041	5,616	4,763	3,950	3,700	3,250	3,000
As percent of total	59	53	45	36	35	36	34
Internal registered stock	3,565	4,927	5,927	6,978	6,978	5,782	5,782
As percent of total	41	47	55	64	65	64	66
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**10,213**	**12,559**	**12,533**	**13,638**	**13,447**	**11,728**	**11,655**
Proportion of total debt							
Foreign debt stock	16	16	15	20	21	23	25
Domestic debt stock	84	84	85	80	79	77	75
In percent of GDP							
Foreign debt stock	5	5	4	6	5	5	5
Domestic debt stock	25	29	26	23	20	16	17
Total	**30**	**34**	**30**	**28**	**25**	**22**	**22**

Source: Bank of Namibia and Ministry of Finance

DOMESTIC DEBT

Domestic debt declined by 19.6 percent to N$8.8 billion at the end of December 2007, while N$10.9 billion was recorded at the end of 2006/07. In terms of its share to total Central Government debt, domestic debt accounted for 75.3 percent, which is lower than the 80.1 percent recorded during the previous fiscal year. In terms of composition, bonds accounted for most of domestic debt, with a share of 65.8 percent. Treasury bills accounted for the remainder. Since March 2007, no bonds have been auctioned, resulting in a sharp decline in total domestic debt to N$8.8 billion at the end of December 2007. Further declines are projected for the rest of the current fiscal year. The issue of Treasury bills has also showed a downward trend since 2004/05, to stand at N$3.0 billion by the end of December 2007.

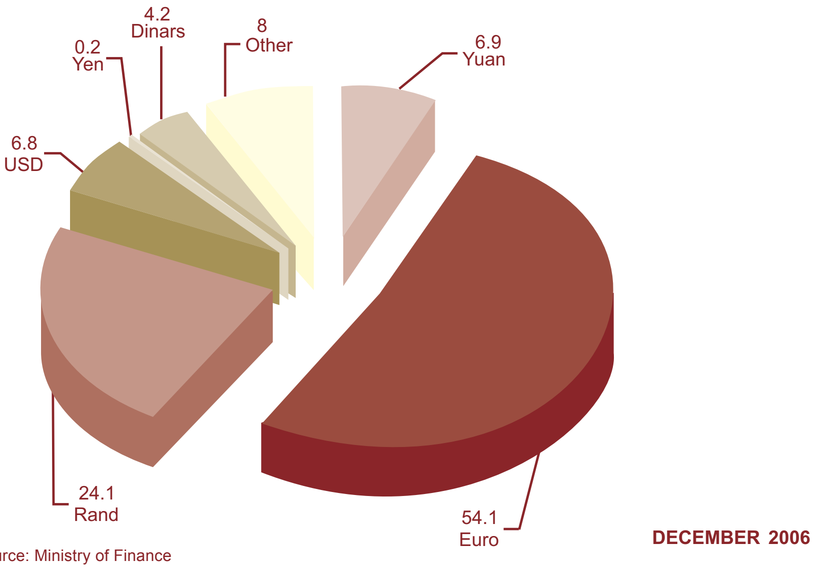
FOREIGN DEBT

Total external debt increased to N$2.9 billion at the end of December 2007, from N$2.7 billion the preceding fiscal year, representing a marginal growth of 2.3 percent. This expansion was primarily confined to the disbursement by some creditors to fund key projects. The creditors were the African Development Bank for the funding of the Northern Railway extension, the European Investment Bank for the Private Sector Global Loan II, and the Development Bank of Southern Africa for the Windhoek Infrastructure Project. As a result, the contribution by external debt to total debt stock increased to 24.7 percent at the end of December 2007, from 20.0 percent in the preceding fiscal year. As a ratio to GDP, external debt declined to 5.0 percent at the end of December 2007, from 5.6 percent over the same period the year before. Loans from bilateral creditors continue to dominate the composition of external debt, accounting for 52.0 percent. This is, however, lower than the 60.2 percent recorded for the previous fiscal year.

CURRENCY COMPOSITION

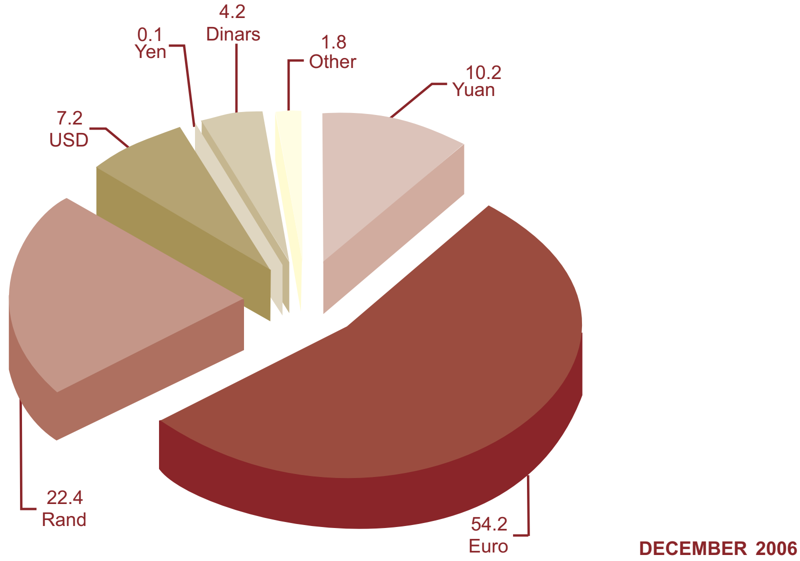
Significant year-on-year changes were observed in the currency composition of external debt (Charts C.51 (a) and (b)). Loans denominated in Yuan/Renminbi and Rand drove the observed movements in the currency composition of Namibian foreign debt.

Chart C.51(a): External debt currency composition (percentage share), December 2006



Source: Ministry of Finance

Chart C.51(a): External debt currency composition (percentage share), December 2007



Source: Ministry of Finance

The Euro maintained its position as the dominant currency, constituting 50.9 percent of the total. The Rand was second at 25.2 percent, while the Chinese Yuan/Renminbi represented 10.2 percent of the total share. The US Dollar followed, with a share of 7.9 percent at the end of December 2007, which increased from 6.8 percent in the previous fiscal year. The rest of the currencies together contributed 6.8 percent to the total currency composition as at end of December 2007, a decrease from 8.0 percent registered at the end of December 2006.

CENTRAL GOVERNMENT LOAN GUARANTEES

Contingent liabilities stood at N$3.2 billion at the end of December 2007, representing 7.0 percent of GDP (Table C.14). A decrease of 13.2 percent is observed when compared with the values for 2006/07. These guarantees are issued to both the public and private sectors, including individual farmers under the Affirmative Action Loan Scheme administered by Agribank. The Government introduced a 2.0 percent annual levy on the outstanding balance of sovereign guaranteed loans, and during 2007, a moratorium was placed on guarantees to all private sector projects except for the Affirmative Action Loan Scheme.

Table C.14: Central Government loan guarantees (N$ million)

	2003/04	2004/05	2005/06	2006/07	2007/08		
					Q1	Q2	Q3
GDP	**34,506**	**37,300**	**41,526**	**48,228**	**53,564**	**53,564**	**53,564**
Domestic guarantees	1,136	1,341	1,495	1,761	1,560	1,281	1,231
As percent of GDP	3	4	4	4	3	2	2
As percent of total guarantees	35.5	55.0	42.6	46.7	44.1	39.9	37.6
Foreign guarantees	2,067	1,097	2,010	2,007	1,978	1,933	2,039
As percent of GDP	6	3	5	4	4	4	4
As percent of total guarantees	65	45	57	53	56	60	62
Total guarantees	3,203	2,438	3,505	3,768	3,538	3,213	3,270
As percent of GDP	9	7	9	8	7	6	6

Source: Ministry of Finance

The decrease of 13.2 percent in total guarantees emanated from a reduction on guarantees granted to domestic creditors. Domestic guarantees represent 3.0 percent of GDP, and 37.6 percent of total guarantees (Table C.14). Foreign loan guarantees, on the other hand, showed a slight increase of 1.6 percent at the end of December 2007, when compared with the previous year. As a percentage of the total foreign guarantees, foreign loan guarantees constituted 62.4 percent. In relation to GDP it fell to 4.0 percent, from 5.0 percent during the previous fiscal year.

PART D

BANKING SUPERVISION

PART D

BANKING SUPERVISION

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REPORT ON BANKING SUPERVISION

The mandate of the Bank with respect to the banking industry is to ensure the effective supervision of banking institutions in Namibia. This mandate translates into a regulatory and supervisory framework that strives to maintain and strengthen the financial stability and soundness of the banking system.

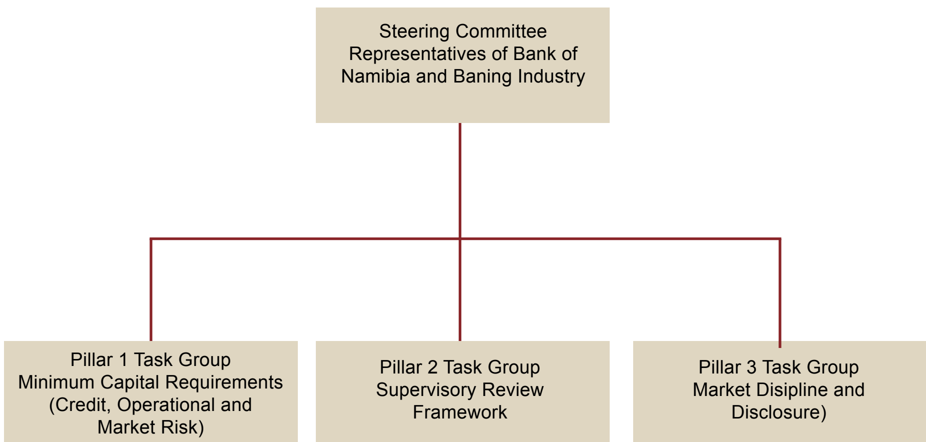
To achieve financial stability and soundness, the supervisory framework strives to ensure that banking institutions in Namibia employ internationally recognised best practices that are in compliance with the provisions of the Banking Institutions Act and the Bank of Namibia Act. Furthermore, the Basel Committee on thed Core Principles for Effective Banking Supervision (the Basel Core Principles, or BCPs) form the foundation and guiding principles against which the execution of the effectiveness of the supervisory and regulatory framework is measured.

DEVELOPMENTS IN SUPERVISORY ISSUES

IMPLEMENTATION OF THE BASEL II[34] CAPITAL ACCORD

Significant progress was achieved in the implementation of the Basel II Capital Accord during the reporting period. After a thorough review of the project, it was decided to allocate more resources to it, but it also resulted in shifting the ‘go live’ date to 1 January 2010. Some of the key milestones are summarised below.

In order to enhance governance principles with respect to the adoption of Basel II, the Bank felt it necessary to foster a strong collaborative coalition with the banking industry. The following two-tier structure was proposed in order to drive the implementation process:



To further strengthen the successful adoption and implementation of Basel II, and in the spirit of collaboration and collective responsibility, the Bank and banking industry signed a Project Charter. The Charter is not seen as legally binding on its signatories, but sets a foundation for the cooperative arrangement between the parties. Thus, the overall objective of the Charter is to ensure that the Bank, together with the banking institutions, adopts a consultative and participative approach for the successful implementation of Basel II and beyond.

The Bank also commenced a quantitative impact study (QIS) in November 2006 to understand how the Basel II regulatory capital will impact on the Namibian banking system. The study is a quantitative tool designed by the Basel Committee for its use and to help national supervisors around the world to analyse the impact of Basel II implementation on the minimum capital requirements of banking institutions in their respective countries.

The overall results of the study indicate that aggregate minimum capital levels would increase

[34] Refer to the Bank of Namibia’s 2005 and 2006 Annual Reports for additional information on the Basel II Capital Requirements.

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by 50 basis points in the transition from Basel I to Basel II, particularly the standardised approach. The revised Tier 1 capital requirements indicated that no change is anticipated. The results for the revised Tier 2 capital component delivered an average reduction of 26.2 percent, due to a substantial decrease in general provisions.

The Bank still believes that various factors have contributed to the small changes observed in the capital ratios. The main factors taken into consideration are as follows: inconsistent mapping of business lines across the banking industry; robustness and reliability of data; and the exclusion of eligible collateral as a credit risk mitigation strategy. However, these results were provided on a best-efforts basis and without the benefit of a meaningful supervisory validation of bank systems. With this experience, and looking ahead with the transition to Basel II, the Bank decided to conduct a further QIS in the third quarter of 2007. The rationale for the 2007 QIS is mainly due to the 2006 QIS, which recognised that significant improvements were necessary and which were incorporated by the Basel Committee through changing certain parameters following the insights from the 2006 QIS. The Bank also believed that, with the benefit of hindsight due to the 2006 QIS results, the 2007 QIS would be tailored to provide a better assessment of the impact of Basel II on the minimum capital requirements of the banking industry.

With the support and cooperation of the Financial Stability Institute at the Bank for International Settlements, the Bank hosted a successful Basel II Workshop in the fourth quarter of the year under review. The overall objective of the workshop was to create awareness amongst the Bank's stakeholders of the Basel II implementation process and its concomitant challenges. Participants were given a comprehensive overview of all three pillars of Basel II, and various implementation issues were discussed. The workshop was well attended by representatives of the private and public sectors, the banking industry, and SADC banking supervisors.

Towards the end of the third of quarter of 2007, the Bank completed the draft Determinations and Regulations with respect to operational, credit and market risks under Pillar 1: Minimum Capital Requirements. Similarly, the draft Determination on public disclosure for banking institutions under Pillar 3: Market Discipline and Disclosure was completed. These draft discussion papers were distributed to the banking institutions for comment. The working documents and comments will form the foundation of the three Task Groups' activities in 2008, with the objective of reaching consensus and sign-off for implementation.

In conclusion, the adoption and implementation of Basel II will become the "new way of working" and regulating of banking institutions in Namibia. It will challenge the skills and capacity of not only banking supervisors and examiners, but also the capacity, skills, systems and processes of banking institutions.

AMENDMENT OF THE BANKING INSTITUTIONS ACT

A robust banking system is one of the key determinants of sustainable economic development, but it demands an enabling legal environment and risk-sensitive banking practices. However, the Banking Institutions Act has not been revised since its inception in 1998 despite the significant changes and developments that have taken place in the local and global financial arena. This fact necessitated the review of the current legal and regulatory framework. The proposed amendments are as follows:

The Bank seeks to expand its supervisory powers to include the supervision of the controlling company of a banking institution, mainly to assess and mitigate potential risks that a banking institution could be exposed to as a result of the activities of other subsidiaries of its controlling company. This type of supervision is commonly known as consolidated supervision[35], and is now also a requirement of the revised BCPs. Thus, implementing consolidated supervision would strengthen the Bank's supervisory framework and simultaneously meet international supervisory standards.

The Bank has seen an upward trend in pyramid and similar illegal schemes in Namibia over the past few years. The need has arisen, therefore, to strengthen the law to effectively deal with these schemes.

The fact that the banking industry in Namibia is highly concentrated is perceived to be 'uncompetitive'. In an attempt to broaden the competitive base of the industry, the amendments proposed allowing foreign banking institutions to establish branches in Namibia, as opposed to fully incorporated subsidiaries only.

The Bank also realised that the current minimum start-up capital for new banking institutions is not economically sufficient to float a new banking institution successfully. The proposed amendment in this regard seeks to expand the Bank's power to determine such start-up capital.

It is envisaged that the Banking Institutions Amendment Bill will be passed and promulgated during 2008.

35 Refer to the 2006 Annual Report for a more detailed discussion on the consolidated supervision framework.

REGULATION OF STATUTORY BANKS AND FINANCIAL INSTITUTIONS

In its Financial Sector Assessment Program report of February 2006, the IMF recommended that the Bank extend its regulatory responsibilities to include all deposit-taking institutions, with particular emphasis on statutory banks and financial institutions (SBFIs). The IMF suggested that these deposit-takers should be subject to the same level of regulation as banking institutions because this was in line with the Bank's mandate.

The IMF's recommendations are based on the fact that there have been notable increases in deposit mobilisation by SBFIs over the years, arousing the need to protect depositors' interests. It is further argued that prudential regulation by the Bank can only improve the performance and credibility of SBFIs, by enabling them to effectively identify, measure, monitor, and control credit, liquidity, operational, and market risks. Ultimately, regulation of SBFIs is expected to promote the soundness and stability of the financial system in Namibia.

Against this background, the Bank conducted a study to determine the most efficient and effective manner in which SBFIs in the country could be regulated. Local SBFIs include the Agricultural Bank of Namibia (Agribank); the Development Bank of Namibia (DBN); the NamPost Savings Bank (NSB); and the National Housing Enterprise (NHE), which were all established through respective Acts of Parliament. These institutions were created as vehicles to advance specific socio-economic development objectives. All of these SBFIs, except Agribank, have been incorporated as commercial companies.

The SBFI regulation study concluded that, as a starting point, the NamPost Savings Bank should be brought within the Bank of Namibia's supervisory ambit because it holds large deposits of the general public. The Bank recognises that it might be necessary to adopt a differential supervisory approach, while still complying with the full legislative and regulatory requirements. This approach should take into account the size, complexity, and nature of the NamPost Savings Bank's business, and should address the fact that some of the current prudential benchmarks applicable to banking institutions could be onerous and counter-productive to the said Savings Bank.

Consultative discussions were then held with key NSB stakeholders, and agreement has been reached in principle that some form of differential prudential supervision by the Bank is warranted in respect of the NamPost Savings Bank. Thus, it is envisaged that the Bank's supervision over the NamPost Savings Bank will take effect in 2009, subject to agreement on the framework for such supervision.

LICENSING OF THE BANKING INDUSTRY

As the regulatory authority of banking institutions in Namibia, the Bank of Namibia's mandate includes the vetting, consideration and approval/disapproval of all new banking licences. During the year under review, two licence applications were received and are still pending. However, the Bank has seen a renewed interest shown in the banking industry by a number of foreign banking institutions, and expects multiple lodgements of applications in 2008. Consequently, the number of banking institutions in Namibia remains unchanged at 4 (2006:4), with a branch and agency network of 153 (2006:142).

ON-SITE EXAMINATIONS AND OFF-SITE ANALYSES

During 2007, the Bank conducted two bank examinations in accordance with the risk-based methodology adopted in 2006.[36] Considerable emphasis was placed on training in this area. The Bank noted a significant improvement in carrying out risk-based examinations, and foresees further improvement during 2008. These examinations did not reveal any significant issues that required any expanded supervisory intervention.

The off-site analysis of banking institutions is a further regulatory tool to ensure banking institutions comply with multiple regulations, as well as to assess the financial soundness of these institutions on an ongoing basis. Banking institutions submit either monthly or quarterly reports to the Bank, and these reports form the basis of the off-site analyses. During the year under review, the Bank's analysis team conducted quarterly meetings with the executive management of the various banking institutions to discuss any regulatory concerns and to gain a better understanding of their business, strategies and risk management practices.

[36] Refer to the 2005 and 2006 Annual Reports for more detail on the risk-based supervision methodology.

D

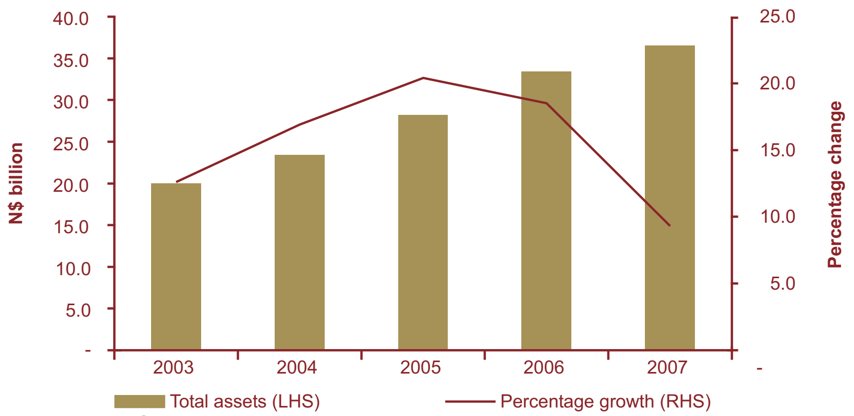
PERFORMANCE OF THE BANKING SECTOR

ASSETS

The banking sector's assets increased by N$3.1 billion (representing a growth rate of 9.3 percent), to a total of N$36.5 billion as at 31 December 2007. The following categories of assets significantly contributed to this growth: Net loans and advances increased by N$3.2 billion to N$27.7 billion, and the Trading and investment portfolio grew by N$0.6 billion to N$4.4 billion as at 31 December 2007.

In terms of gross loans and advances, a 13.0 percent increase was observed – mainly because fixed-term loans that grew by 46.8 percent to N$2.1 billion, mortgage loans by 13.7 percent to N$14.1 billion, overdrafts by 14.5 percent to N$4.9 billion, and installment sales by 6.6 percent to N$5.0 billion. The notable increase in the trading and investments portfolio was a result of a N$0.7 billion increase in fixed income securities available for sale, to N$1.8 billion as at 31 December 2007.

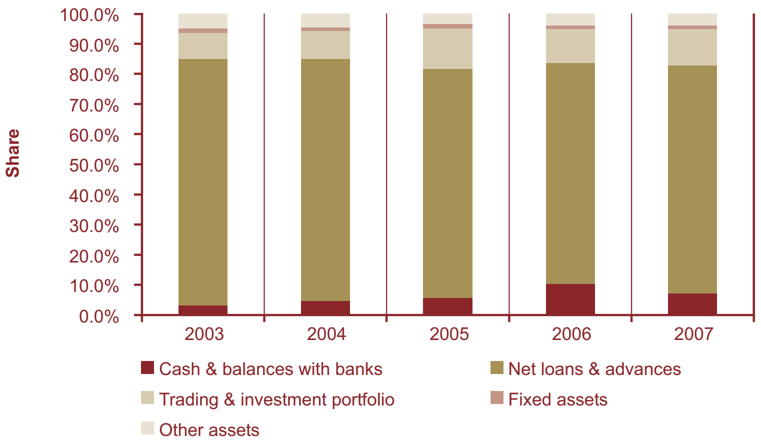
Chart D.1: Growth in total assets



RHS = right-hand side
Source: Banking Supervision Department

As seen from Chart D.1 above, the banking sector has continued to grow its assets steadily year-on-year, although the growth rate for 2007 was sluggish at 9.3 percent, compared with 18.5 percent in 2006 and 20.4 percent in 2005. One reason for the sluggish growth could be the continued interest rate increases experienced during 2007 as the demand for credit usually diminishes when the cost of credit increases.

Chart D.2: Composition of total assets



The composition of assets continued to be dominated by net loans and advances, as expected. As seen from Chart D.2, the composition of assets remained relatively unchanged from the previous year. However, the category Net loans and advances gained some share from that of Cash and balances with banks to make up 75.8 percent of total assets, compared with 73.1 percent the previous year. The category Trading and investment portfolio, which is the second-largest component of assets, accounted for 12.0 percent, compared with 11.4 percent in 2006. The remaining asset mix consists of Cash and balances with banks (7.1 percent), Fixed assets (1.3 percent), and Other assets (3.9 percent).

FUNDING STRUCTURE

Charts D.3(a) and (b) compare the year-on-year composition of liabilities and capital. A shift was observed in Other liabilities, which increased in terms of its percentage share from 3.4 percent to 4.4 percent, while the share of Borrowings decreased from 4.5 percent to 2.8 percent during the year under review. Changes in shares for the categories Non-bank funding, Interbank, Foreign, Debt instruments and Capital and reserves were relatively insignificant.

Chart D.3(a): Composition of liabilities and capital as at 31 December 2007

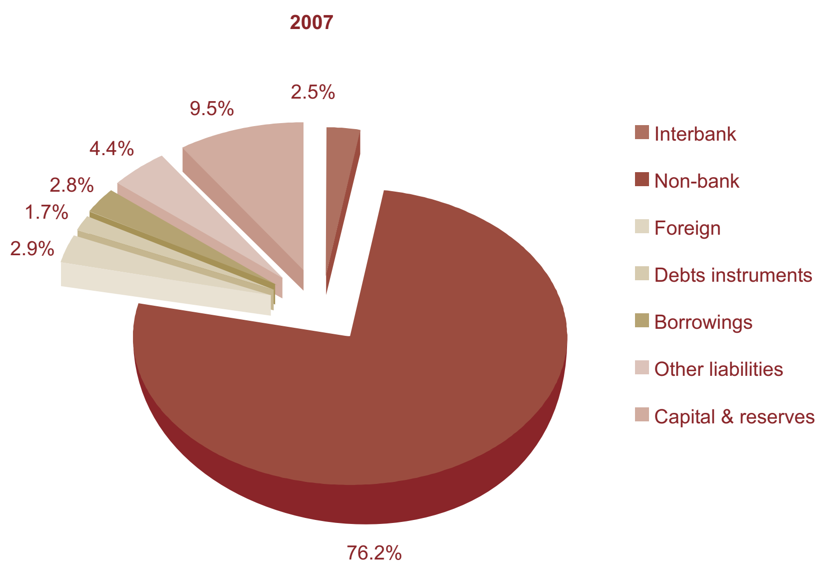
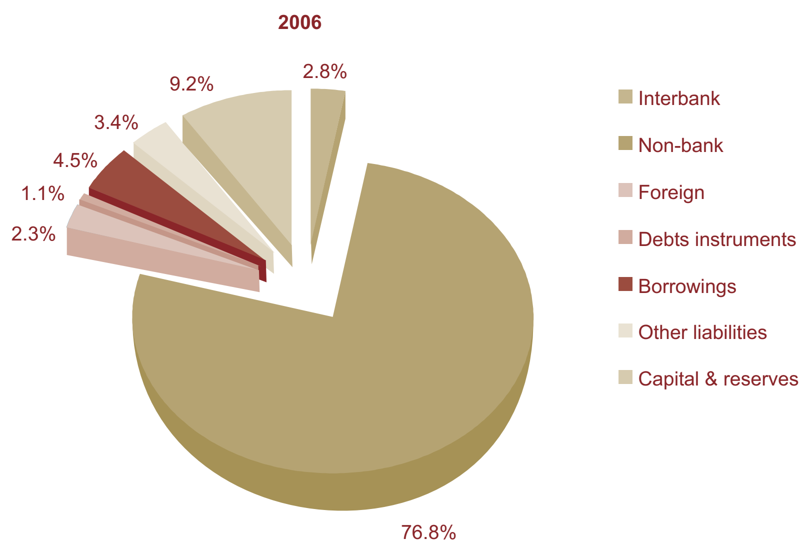


Chart D.3(b) Composition of liabilities and capital as at 31 December 2006



An analysis of non-bank deposits showed an increase of N$2.2 billion to N$27.8 billion as at 31 December 2007. The increase occurred in all four categories of deposits, namely demand, savings, fixed and notice, and Negotiable Certificate of Deposits (NCDs). In terms of composition, it is clear from Chart D.4 that demand deposits took the biggest share over the five-year period represented. Demand deposits took a 50.2 percent share, which fell from the 52.5 percent reported last year, whilst the share for NCDs stood at 15.1 percent at 31 December 2007, as opposed to 14.2 percent the previous year and 6.6 percent five years ago. Fixed and notice deposits also increased their share in non-bank deposits by 1.3 percentage points to 30.0 percent at 31 December 2007. On average, the composition of non-bank deposits presents a fairly stable picture over the 2003–2007 period.

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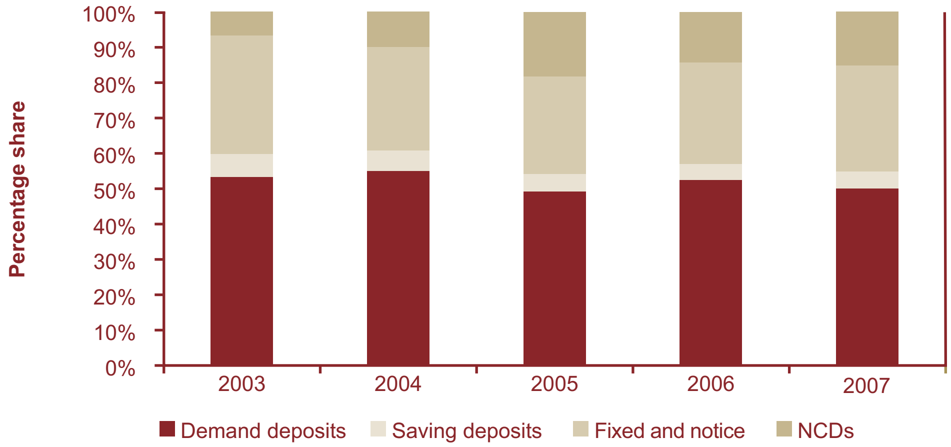
Chart D.4: Composition of non-bank deposits



CAPITAL ADEQUACY

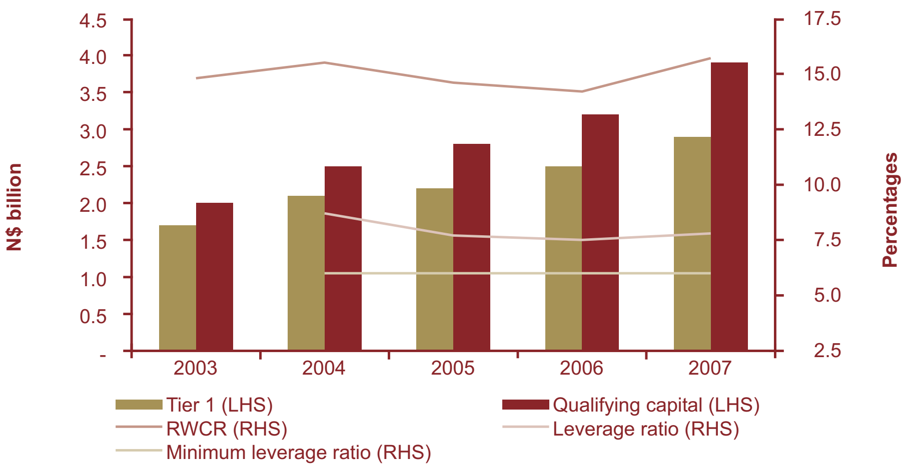
According to the Basel Committee guidelines, banking institutions are required to keep a total risk-weighted capital ratio (RWCR) of at least 8 percent. However, the Bank requires banking institutions to keep their RWCR at minimum of 10 percent, of which 7.0 percent should represent Tier 1 risk-based capital.

During the year under review, total qualifying capital increased by 21.7 percent to N$3.9 billion. The increase occurred mainly under Tier 2 capital, which increased by 44.0 percent as a result of bonds issued in the market by some banking institutions. The improvement in capital is reflected in the RWCR, which increased by 1.5 percentage points to 15.7 percent, of which 11.6 percent represented Tier 1 risk-based capital. Of significance is that Tier 1 capital made up 74.6 percent of total qualifying capital, compared with 78.5 percent in 2006 and 82.1 percent in 2003.

In addition to the requirement regarding the RWCR, the Bank requires banking institutions to keep at least a 6.0 percent Tier 1 leverage ratio[37] in order to encourage them to manage their capital levels in line with their growth in assets. Banking institutions, on average, maintained this Tier 1 leverage ratio at 7.8 percent, down from 7.5 percent in 2006. Since the introduction of the Tier 1 leverage ratio of 6 percent in 2004, the ratio has trended downwards as a result of banking institutions not growing their capital at the same pace as their assets.

For the past year, no instance of non-compliance with the capital requirements was reported in respect of any banking institution. Chart D.5 shows the trend in capital ratios for the banking sector over the past five years, as well as Tier 1 capital relative to total qualifying capital.

Chart D.5: Capital adequacy



LHS = left-hand side
RHS = right-hand side
Source: Banking Supervision Department

37 The Tier 1 leverage ratio refers to Tier 1 capital (primary capital) expressed as a percentage of gross balance sheet assets. This requirement was only introduced in 2004 (see Chart 62).

CREDIT RISK

Credit risk refers to the potential that a bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is the most prominent risk faced by banking institutions and banking systems today. Banks should, therefore, be mindful of the need to identify, measure, monitor and control credit risks. They should also hold adequate capital against this risk and ensure that they are adequately compensated for risks incurred.

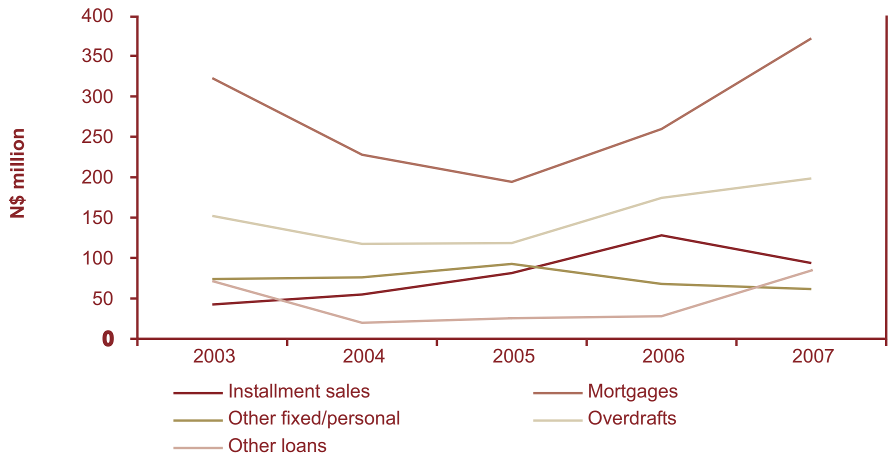
LOAN DIVERSIFICATION

During 2007, almost half of the credit granted by the banking sector was in the form of mortgage loans, while 17.5 percent and 17.3 percent of credit extended were in the form of installment sales and overdrafts, respectively. The remaining 15.8 percent is distributed among fixed-term loans, personal loans, investment in preference shares, and other insignificant categories of loans. The above distribution indicates some level of credit risk concentration to the property segment.

ANALYSIS OF NON-PERFORMING LOANS (NPLS)

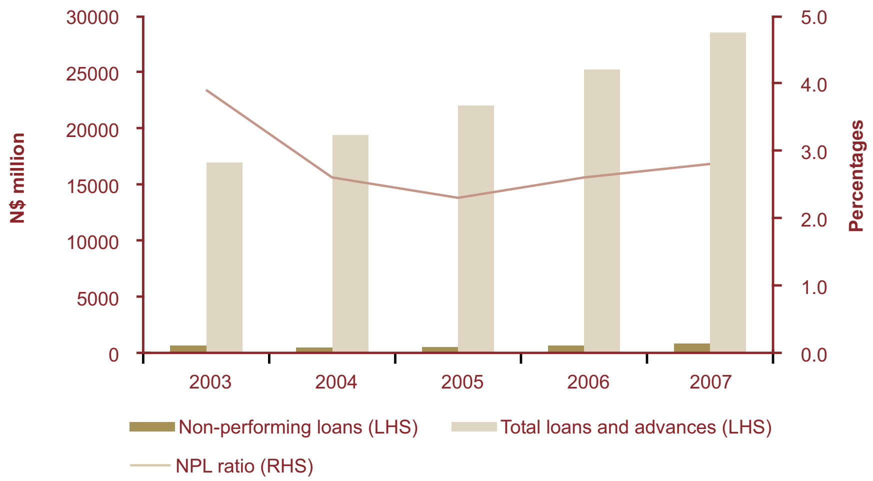
As interest rates continued an upward trend in 2007, the situation negatively impacted the quality of banking industry assets. This upward trend in interest rates contributed to an increase in non-performing loans to N$810.1 million. This represents a 23.1 percent increase in comparison with 2006 and was mainly observed under mortgages and overdrafts categories of loans as depicted in Chart D.6. In absolute terms, non-performing mortgages continued to top the list of non-performing loans, followed by overdrafts and installment sales. It is worth noting that the non-performing loans in the loan categories Installment sales and Other fixed/ personal have shown a decline.

Chart D.6: Non-performing loans per loan type



In relation to the total loan book, non-performing loans stood at 2.8 percent, compared with 2.6 percent the previous year and 2.3 percent in 2005, indicating a slight upward trend. Chart D.7 portrays the relationship between non-performing loans and total loans.

Chart D.7: Non-performing loans relative to total loans



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ADEQUACY OF PROVISIONS

All banking institutions complied with the statutory provisions set out in the Determinations on Asset Classifications, Suspension of Interest and Provisioning (BID 2). Where non-compliance occurred, banking institutions did not comply with the provisions as required per different loan classification categories, although in total, provisions required were met.

Specific provisions cover[38] reduced significantly from the 45.6 percent reported last year to 37.0 percent in 2007. The reduction was due to an increase in non-performing loans, as referred to in the analysis earlier in this chapter. Total provisions to total loans also fell from 2.4 percent to 2.1 percent as at 31 December 2007.

These two ratios, as measures of the ability of provisions to adequately cover for identified and unidentified credit risk, indicated that provisions are considered as adequate despite the deterioration in ratios.

STATUTORY LARGE EXPOSURES[39]

Statutory large exposures remained almost unchanged at N$4.8 billion for 2007, of which N$2.7 billion represented outstanding exposure balances.[40] As a percentage of total loans, statutory large exposures made up 16.8 percent, reducing from 18.9 percent the previous year, due to the growth in total loans and advances. Large exposures expressed as a percentage of qualifying capital equalled 123.5 percent, decreasing from 148.6 percent last year, and is well within the limit of 800 percent allowed under the Determinations on Single Borrower Limit (BID 4).

A few non-compliance issues with regard to BID 4 occurred during the year, but were rectified. The aforementioned decline indicates a slight reduction in credit concentration risk with regard to large exposures to single borrowers.

Chart D.8 compares statutory large exposures and outstanding balances (balances utilised) with total loans and advances. It is clear from the Chart that, although the industry increased its loans and advances steadily, statutory large exposures remained relatively unchanged between 2006 and 2007.

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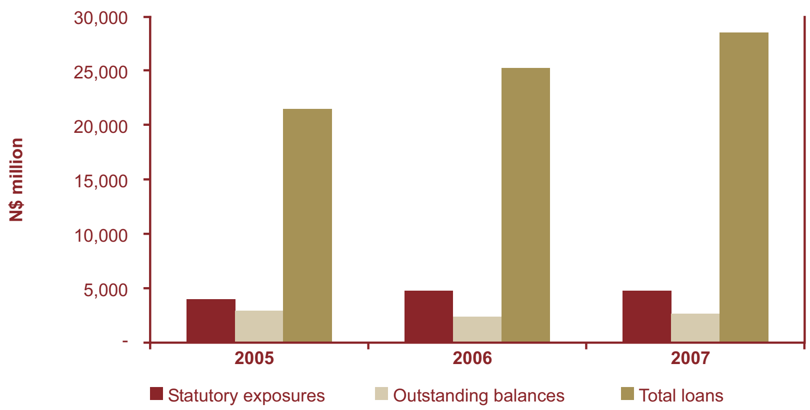
Chart D.8: Statutory large exposures relative to total loan book



LIQUIDITY

The ability of a banking institution to fund increases in assets and to meet its liabilities at maturity is crucial for its sustainability. Liquidity shortfall at one banking institution can easily cause a systemic liquidity challenge – especially in Namibia, where all the banking institutions are large in size and systemically important.

The fiscal position taken by Government to reduce total debt as a percentage of GDP to 25 percent by 2007/8 had implications for the banking industry, as domestic Government debt instruments accounted for more than 80 percent of their liquid assets as at 31 December 2006. Following concerns raised by the banking industry about a potential shortage of quality debt instruments in the market that could qualify as liquid assets, the Bank added new range of assets. These instruments included ‘investment-graded’ debt securities issued by public sector entities and corporates, NCDs issued by banks, strip bonds, and Bank of Namibia certificates.

As at 31 December 2007, the total industry held liquid assets to the tune of N$3.4 billion, compared with N$3.0 billion the previous year. As seen from

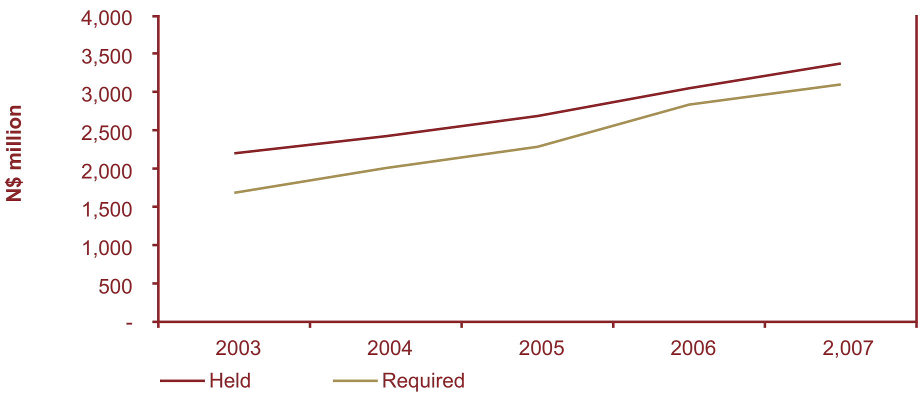
38 Specific provisions cover represents specific provisions expressed as a percentage of non-performing loans.

39 Large exposures refer to all loans or credit facilities granted to a single borrower or a group of related borrowers that are equal to or exceed 10% of the banking institution’s capital funds (regulatory capital). Statutory large exposures, on the other hand, refer to the higher of the approved limit and the outstanding balance.

40 An outstanding exposure balance refers to an amount actually utilised by the borrower.

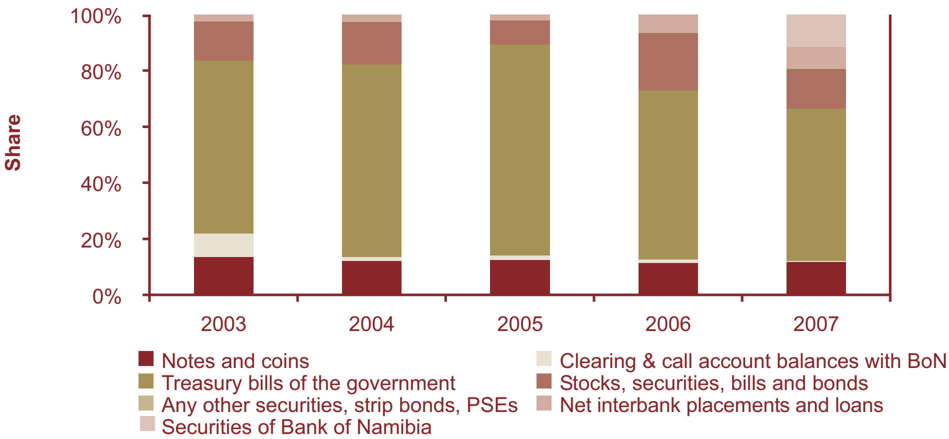
Chart D.9, the aggregated banking industry have maintained their liquid assets above the minimum required over the past five years, and recorded a surplus of N$0.3 billion in 2007, compared with N$0.2 billion in 2006.

Chart D.9: Statutory liquid assets



As depicted in Chart D.10, Government Treasury bills and bonds still took the biggest share – 68.5 percent – in total liquid assets, which is a reduction from the 80.9 percent reported last year.

Chart D.10: Liquid assets composition



Liquid assets expressed as a percentage of total assets increased slightly, from 9.1 percent in 2006 to 9.2 percent at 31 December 2007. The loans-to-deposits ratio has been trending downwards over the past few years from 118.5 percent in 2003 to equal 78.0 percent in 2007, which may indicate that banking institutions were able to mobilise adequate funds from the public and did not need to borrow funds that could be more expensive than core deposits. The loans-to-assets ratio averaged at 79.8 percent over the past five years, which is above the international benchmark of 75.0 percent. During 2007, this ratio increased from 75.4 percent to 78.0 percent.

PROFITABILITY AND EARNINGS

It is imperative for banking institutions to be profitable in order to sustain their operations and maintain adequate capital levels. The aggregated banking sector reported more than N$1 billion in profits before taxes, increasing from N$0.8 billion reported for 2006. The overall improvement in profitability owed itself to the increase in total income, the decline in provisions charges, and the containment of operating costs.

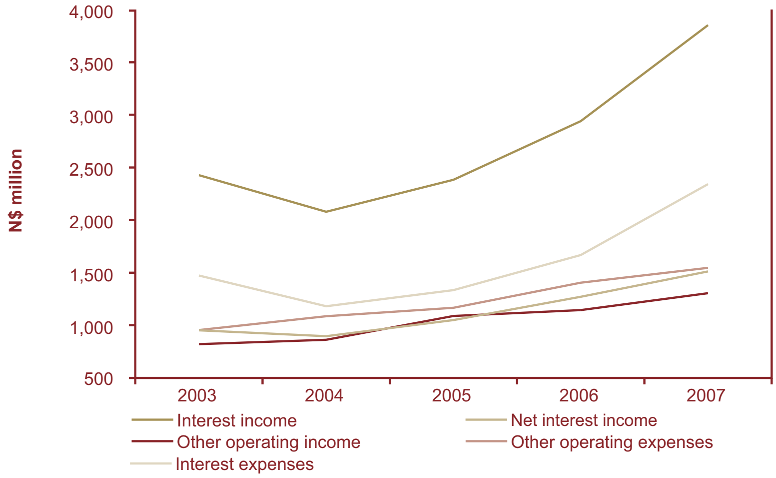
Loans and advances generated interest income of N$3.9 billion in 2007, representing an increase of 31.1 percent as opposed to the 23.3 percent increase reported in 2006. The increase in interest income,in absolute terms, was mainly due to the increasing market interest rates experienced in 2007. As a percentage of total loans, interest income accounted for 13.5 percent, compared with 11.7 percent the previous year, largely because of a growth in assets and an increase in lending rates. Loan categories that generated the most interest income included mortgages, installment sales and overdrafts, chiefly due to their large proportion to total loans and advances. Year-on-year, interest expenses increased by 40.3% to N$2.4 billion. Significant increases occurred under interest paid on demand deposits, fixed and notice deposits, and negotiable certificates of deposits. Although the percentage increase in interest paid exceeded that of interest income, in absolute terms interest income was much higher than interest expenses – resulting in an increase in the net interest margin of 19.0 percent to equal N$1.5 billion for the year under review. In 2006, higher provisions were raised – especially in the fourth quarter. During the year under review, provisions charges reduced by 45.1 percent to amount to N$122.2 million. The reduction in net provisions charged to income could have been caused by the reversal of excessive provisioning in 2006.

Non-interest income increased by 14.1 percent to N$1.3 billion during 2007. Both investment income and fee income contributed to this increase. Non-interest income made up 46.3 percent of total income, as opposed to the 47.4 percent observed in 2006. This suggests that banks maintained the intermediation function as one of the main sources of income generation. In addition, non-interest income contributed to the growth in total income, which improved by 16.7 percent compared with 13.0 percent reported the previous year.

In terms of operating costs, the banking industry contained its costs – specifically administration and overheads, which remained almost unchanged during 2007. The growth rate in operating expenses reduced to 10.0 percent from the 20.5 percent reported the previous year.

Net income before tax amounted to N$1.1 billion, showing an improvement of 46.1 percent during 2007. Consequently, both the return on assets and the return on equity improved from 1.8 percent and 18.7 percent, to 2.3 percent and 24.4 percent, respectively.

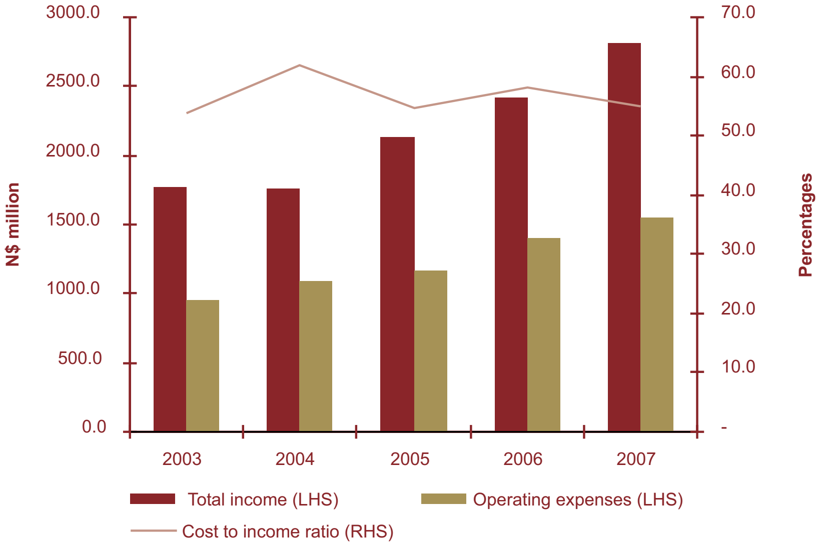
Chart D.11: Key income statement indicators



Source: Banking Supervision Department

An efficiency or cost-to-income ratio measures operating expenses as a percentage of total income (the sum of net interest income and non-interest income). For the year ended 31 December 2007, the efficiency ratio improved to stand at 54.9 percent, compared with 58.2 percent reported for 2006. Chart D.12 portrays the relationship between operating costs and total income over the past five years.

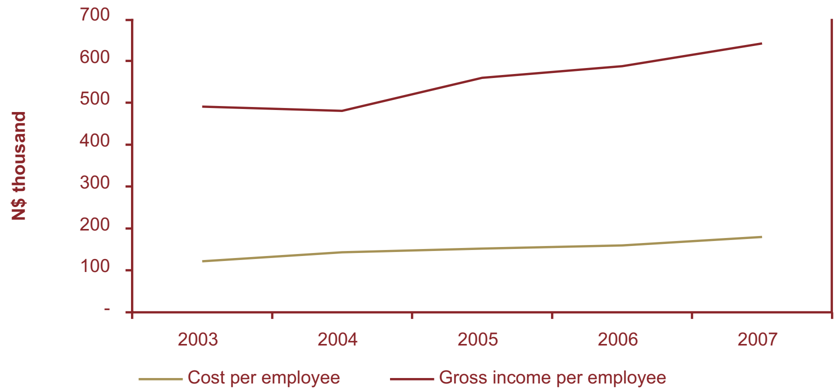
Chart D.12: Efficiency



LHS = left-hand side
RHS = right-hand side
Source: Banking Supervision Department

Productivity can be measured by comparing expenditure on employees in the banking industry with the amount of income the industry generates. Gross income per employee increased by 9.2 percent to N$641,000 for the year ended 2007. The cost per employee also increased from N$160,000 to N$180,000. This has widened the gap between income and cost per employee to increase from the N$427,000 net income per employee reported last year, to N$462,000 for 2007. This suggests an improvement in productivity and/or profit margin. Chart D.13 depicts productivity in the banking sector for the past five years.

Chart D.13: Productivity



SUSPENSION OF CHEQUE ACCOUNT FACILITIES

The Bank of Namibia is responsible for the safety and soundness of the payments system in Namibia. The prevalence of cheques that are referred to drawer due to insufficient funds raises supervisory concerns as it impacts negatively on the credibility and efficiency of the payment system. The Bank requires banking institutions to suspend the cheque account facility of any customer in respect of which five cheques have been referred to drawer due to insufficient funds over a period of three months. This is in accordance with the Determination on the Compulsory Suspension of Cheque Accounts (BID 12).

Although the value of cheques returned increased by 5.4 percent to N$9.5 million during 2007, the number of cheque accounts suspended declined by 33.6 percent to 231 in the same period. This indicates improved effectiveness of the Determination, as the public is becoming aware of the consequences of issuing cheques without having funds to cover them.

D

FRAUD

In terms of the Determination on Fraud and other Economic Crime (BID 9), banking institutions are compelled to report all fraudulent activities detected to the Bank. During the year under review, banking institutions reported fraudulent activities amounting to N$63.0 million, which represents an increase from N$4.1 million reported the previous year. Two incidents alone accounted for N$56.6 million. The actual loss suffered by the banking sector amounted to N$3.2 million, representing 5% of the value of fraudulent activities reported. Chart D.14 depicts the trend in amounts involved in and lost through fraudulent activities.

Chart D.14: Fraudulent activities

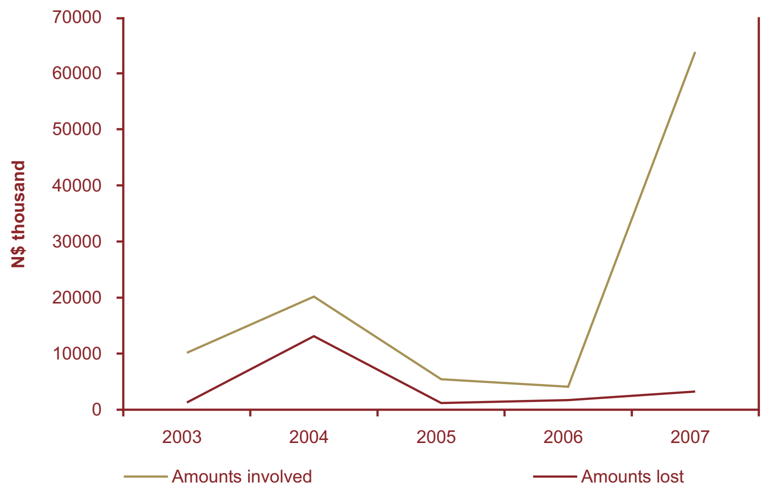


Table D.1: Composition of the balance sheet (all amounts in N$'000)

Balance Sheet components	2003	2004	2005	2006	2007			
					Q1	Q2	Q3	Q4
Interbank funding	1,743,328	2,161,150	2,669,462	928,008	768,264	850,828	687,810	919,015
Non-bank funding	**14,265,027**	**17,242,835**	**21,074,464**	**26,406,160**	**26,706,096**	**26,866,258**	**29,516,474**	**28,877,379**
Demand	7,620,721	9,258,130	10,231,518	13,477,286	14,073,448	12,659,936	14,314,486	13,965,306
Savings	916,670	971,228	1,040,845	1,155,552	1,148,846	1,217,632	1,270,202	1,292,557
Fixed and notice deposits	4,782,113	4,920,540	5,719,284	7,364,749	6,549,909	7,575,329	8,667,537	8,354,293
Negotiable Certificate of Deposits	945,523	1,667,172	3,778,839	3,650,012	4,274,010	4,439,196	4,608,601	4,210,709
Foreign funding*	793,691	425,765	303,978	758,561	659,883	974,165	655,648	1,054,514
Loans under repurchase agreement	-	-	-	-	-	-	-	-
Debt instruments issued	152,433	224,164	351,386	351,047	608,314	607,078	614,509	607,472
Other borrowings	61,115	333,899	437,878	1,502,370	1,710,260	1,850,821	745,131	1,027,722
Other liabilities	705,552	860,360	908,042	1,148,059	1,160,419	1,220,427	1,364,801	1,603,654
Capital and reserves	2,296,691	2,576,895	2,736,956	3,061,660	2,926,098	3,052,809	3,229,678	3,469,551
TOTAL FUNDING	**20,017,837**	**23,399,303**	**28,178,188**	**33,397,304**	**33,879,451**	**34,448,221**	**36,158,403**	**36,504,793**
Cash and balances**	646,521	1,082,454	1,588,923	3,480,774	2,505,714	2,471,986	3,599,447	2,585,519
Interbank loans and advances**	582,343	51,148	57,210	534	7,503	21,340	20	2,479
Foreign currency loans and advances	504,705	376,192	143,330	245,883	431,526	248,032	36,728	21,426
Instalment debtors and leases	2,836,404	3,272,334	3,982,749	4,664,794	4,662,755	4,773,549	4,878,314	4,970,883
Mortgage loans	6,588,078	7,882,166	9,542,388	12,363,452	12,883,251	13,422,886	13,602,280	14,054,262
Other fixed-term loans***	1,990,105	1,127,354	1,144,884	1,400,953	1,530,752	1,837,974	1,938,253	2,056,216
Personal loans		1,489,517	1,705,244	1,681,771	1,642,937	1,692,036	1,636,794	1,631,226

Balance Sheet components	2003	2004	2005	2006	2007			
					Q1	Q2	Q3	Q4
Overdraft	3,131,192	3,356,426	4,798,845	4,308,664	4,859,954	4,561,443	4,725,660	4,932,251
Credit card debtors	-	-	-	-	-	-	-	-
Acknowledgement of debts discounted	258,065	262,138	21,931	13,499	11,167	11,588	9,144	9,496
Loans granted under resale agreement	-	-	-	-	-	-	-	-
Investment in preference shares	161,843	385,907	332,057	279,087	271,198	263,994	257,505	311,582
Other loans and advances	857,568	1,160,311	285,874	234,555	372,835	279,558	440,911	472,564
Total loans and advances	**16,910,303**	**19,363,493**	**22,014,512**	**25,193,192**	**26,673,878**	**27,112,400**	**27,525,609**	**28,462,385**
Less: Specific provisions	292,848	240,936	181,661	300,292	320,246	335,247	316,340	299,614
Less: General provisions	131,929	209,545	265,931	293,980	305,106	286,694	298,408	302,444
Less: Interest-in-suspense	133,730	138,599	148,827	169,228	181,961	183,580	193,053	202,408
Investment portfolio	1,741,711	2,179,152	3,790,696	3,804,670	4,119,006	4,261,741	4,336,638	4,377,890
Trading securities		1,203,974	1,519,897	1,676,184	1,787,161	1,679,930	1,648,392	1,586,081
Available-for-sale securities		460,697	1,170,360	1,071,344	1,611,953	1,811,255	1,851,848	1,792,624
Held-to-maturity securities		510,950	1,088,313	1,046,340	690,693	742,854	808,696	969,454
Unconsolidated subsidiaries, associates		3,531	12,126	10,802	29,199	27,702	27,702	29,731
Property, plant and equipment	291,783	300,588	425,501	360,571	354,198	416,512	452,395	470,877
Other assets	986,026	1,062,696	954,975	1,321,597	1,033,968	991,102	1,052,115	1,412,590
TOTAL ASSETS	**20,017,837**	**23,399,303**	**28,178,188**	**33,397,304**	**33,879,451**	**34,448,220**	**36,158,403**	**36,504,795**
Average assets	**18,894,309**	**21,708,570**	**25,788,746**	**30,787,746**	**33,638,378**	**34,163,836**	**35,303,312**	**36,331,599**
Average equity	**1,896,550**	**2,436,793**	**2,656,926**	**2,899,308**	**2,993,879**	**2,989,454**	**3,141,244**	**3,349,615**

* Effective from January 2004, the Balance Sheet was redesigned and foreign funding was made part of non-bank funding.

** Effective from January 2004, cash and balances with the Bank of Namibia included balances held with other banks, hence the increase in cash and balances and the decrease in interbank loans and advances.

*** Before 2004, no provision was made for a personal loans category on the Balance Sheet return.

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Table D.2: Capital adequacy (amounts in N$'000)

Capital components	2003	2004	2005	2006	2007			
					Q1	Q2	Q3	Q4
Tier 1 capital	**1,659,695**	**2,060,257**	**2,185,842**	**2,514,952**	**2,483,939**	**2,592,772**	**2,633,701**	**2,908,162**
Paid-up shares	91,833	22,755	22,755	23,672	23,672	23,672	23,672	23,822
Share premium	1,002,319	1,609,221	1,609,221	1,641,249	1,641,249	1,641,249	1,641,249	1,791,099
Reserves	839,759	804,953	917,424	1,175,972	1,137,538	1,236,804	1,271,354	1,389,436
Less: Intangible assets	274,216	376,672	363,558	325,941	318,520	308,953	302,574	296,195
Tier 2 capital	**362,097**	**441,940**	**650,945**	**688,176**	**958,284**	**948,708**	**959,908**	**991,105**
Subordinated-term debt	175,846	247,855	375,127	375,473	629,132	634,220	630,334	635,478
General provisions	186,158	193,992	265,931	293,980	309,595	298,403	312,317	325,518
Revaluation reserves	93	93	9,887	18,723	19,557	16,085	17,257	30,109
Investment in unconsolidated subsidiaries	-	-	-	-	-	-	-	-
TOTAL QUALIFYING CAPITAL	**2,021,792**	**2,502,197**	**2,836,787**	**3,203,128**	**3,442,223**	**3,541,480**	**3,593,609**	**3,899,267**
Risk-weighted assets	**13,620,274**	**16,270,606**	**19,438,859**	**20,223,954**	**22,891,795**	**23,081,670**	**23,562,582**	**24,339,549**
10% risk-weighted*		44,633	58,298	33,701	42,397	44,266	33,532	36,102
20% risk-weighted	288,186	162,705	210,112	484,760	314,270	335,205	569,601	345,820
50% risk-weighted	3,107,248	3,447,142	4,496,084	3,198,448	5,426,220	5,673,131	5,961,055	6,139,432
100% risk-weighted	10,224,840	12,616,126	14,674,365	16,507,046	17,108,908	17,029,069	16,998,394	17,818,195
Gross assets*		**23,673,721**	**28,320,289**	**33,683,346**	**34,238,176**	**34,806,849**	**36,519,766**	**36,861,109**

* 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 (all amounts in N$'000)

	2003	2004	2005	2006	2007			
					Q1	Q2	Q3	Q4
Overdue loans*	**757,039**	**640,004**	**807,868**	**850,767**	**1,277,293**	**1,065,031**	**1,203,409**	**1,115,118.00**
Amounts overdue: <1 month		1,846	71,942	53,937	113,207	65,601	52,146	59,690.00
Amounts overdue: 1 to <3 months		178,731	270,105	170,317	393,822	272,607	482,249	323,235.00
Amounts overdue: 3 to <6 months		161,836	117,618	118,413	275,687	250,454	152,171	158,931.00
Amounts overdue: 6 to <12 months		141,211	107,266	160,425	88,552	78,674	148,729	223,759.00
Amounts overdue: 12 to <18 months		131,593	166,515	256,622	262,549	359,725	322,648	267,145.00
Amounts overdue: 18 months and more		24,787	74,422	91,053	143,476	37,970	45,466	82,358.00
Total non-performing loans	**662,593**	**472,928**	**512,179**	**657,827**	**761,858**	**802,835**	**784,536**	**810,095**
Instalment sales	42,649	54,765	81,413	128,047	117,863	115,307	102,904	93,782.00
Mortgages	322,473	227,755	194,042	259,574	295,534	347,119	331,797	371,694.00
Other fixed/personal	73,790	76,103	92,671	68,081	74,610	73,040	62,016	61,653.00
Overdraft	152,176	94,519	118,623	174,276	187,627	173,714	206,258	198,459.00
Other loans and advances	71,505	19,786	25,430	27,849	86,224	93,655	81,561	84,507.00
Realisable security	200,775	273,517	279,830	351,473	402,212	422,765	412,037	441,102.00
Specific provisions	292,848	240,936	181,661	300,292	309,931	335,498	294,917	299,613.00

Source: Banking Supervision Department

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Table D.4: Composition of income statement

Income Statement components	2003	2004	2005	2006	2007
Interest income	2,426,259	2,077,961	2,382,863	2,938,521	3,852,097
Interest expenses	1,474,079	1,182,152	1,334,367	1,668,204	2,340,088
Interest margin	952,180	895,809	1,048,496	1,270,317	1,512,009
Less: Provisions	87,847	71,344	80,460	222,492	122,232
Total operating income	822,082	861,861	1,088,449	1,143,845	1,305,083
Trading income	192,814	118,584	90,933	94,284	126,854
Investment income	136,425	129,172	224,340	251,877	339,534
Transaction-based fee income	470,027	558,897	645,817	662,504	714,924
Knowledge-based fee income	22,816	16,379	29,421	47,343	48,551
Other income		38,829	97,938	87,837	75,220
Total income	**1,774,262**	**1,757,670**	**2,136,945**	**2,414,162**	**2,817,092**
Total operating expenses	**954,713**	**1,086,664**	**1,166,873**	**1,405,661**	**1,546,392**
Staff costs	447,762	523,278	581,564	657,140	789,299
Administration and overheads	279,793	295,609	270,165	341,133	342,256
Depreciation and amortisation	92,117	128,485	116,851	127,222	113,203
Occupancy expenses	78,763	91,451	92,563	113,468	125,639
Other operating expenses	56,278	47,841	105,730	166,698	175,995
Net income before tax	**731,702**	**599,662**	**889,612**	**786,009**	**1,148,468**
Taxation	225,629	195,049	299,502	244,848	353,191
Net income after tax	**506,073**	**404,613**	**590,110**	**541,161**	**795,277**

Source: Banking Supervision Department

Table D.5: Selected key ratios

	2003	2004	2005	2006	2007
Capital					
Tier 1 leverage		8.7%	7.7%	7.5%	7.8%
Tier 1 risk-weighted capital	12.2%	12.7%	11.2%	11.2%	11.6%
Total risk-weighted capital	14.8%	15.4%	14.6%	14.2%	15.7%
Asset quality					
Non-performing loans to total loans	3.9%	2.4%	2.3%	2.6%	2.8%
Overdue loans to total loans	4.5%	3.3%	3.7%	3.4%	3.9%
Total provisions to total loans	2.5%	2.3%	2.0%	2.4%	2.1%
Specific provisions to non-performing loans	44.2%	50.9%	35.5%	45.6%	37.0%
Earnings					
Return on assets	2.7%	1.9%	2.3%	1.8%	2.2%
Return on equity	26.7%	16.6%	22.2%	18.7%	23.7%
Net interest margin	5.0%	4.1%	4.1%	4.1%	4.2%
Other operating income: Total assets	4.1%	3.7%	3.9%	3.4%	3.6%
Other operating income: Total income	46.3%	49.0%	50.9%	47.4%	46.3%
Other expenses: Total income	53.8%	61.8%	54.6%	58.2%	54.9%
Liquidity					
Liquid assets/Total assets	11.0%	10.4%	9.5%	9.1%	9.3%
Liquid assets/Average total liabilities	13.1%	12.1%	11.8%	10.7%	10.9%
Total loans/Total assets	84.5%	82.8%	78.1%	75.4%	76.2%
Total loans/Total deposits	118.5%	115.1%	106.0%	98.2%	95.4%
Growth rates					
Total assets		16.9%	20.4%	18.5%	9.3%
Total qualifying capital		23.8%	13.4%	12.9%	21.7%
Tier 1 capital		24.1%	6.1%	15.1%	15.6%
Total loans		14.5%	13.7%	14.4%	13.0%

Source: Banking Supervision Department

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THEME CHAPTER

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THE BASEL CORE PRINCIPLES FOR EFFECTIVE BANKING SUPERVISION

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INTRODUCTION

The Bank of Namibia, like other supervisory authorities around the world, is guided in its supervisory approach by the Basel Committee's Core Principles for Effective Banking Supervision. The Core Principles were released by the Basel Committee on Banking Supervision in 1997 (revised in October 2006) for use in both G10 and non-G10 countries. They comprise 25 principles that need to be in place for a supervisory system to be effective. The main objective of the Core Principles is to harmonise international supervisory standards. In Namibia, these principles form part of the legal foundation on which banking legislation is based.

This Theme Chapter focuses on:

the development of the Core Principles, the preconditions for effective banking supervision a summary of the 25 principles, the assessment criteria for compliance, Core Principles compliance assessment, the Core Principles and Basel II, and the way forward for Namibia.

DEVELOPMENT OF THE CORE PRINCIPLES

Following a difficult period for financial systems in various parts of the world, the need to strengthen financial systems attracted broad international attention in the mid 1990s. The G7 leaders, at their Lyon Summit in June 1996, called on supervisors to take action to improve financial sector supervision. At the same time, the Basel Committee undertook, in cooperation with non-Committee supervisors, the development of the Core Principles for Effective Banking Supervision (the BCPs).

The BCPs were published in 1997 and were endorsed by supervisors worldwide. Since then they have been used by countries as a benchmark for assessing the quality of their supervisory systems, and for identifying future work needed to achieve a baseline level of sound supervisory practices. Also since their publication, the BCPs have become universally accepted standards for the sound prudential supervision of banks.

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PRECONDITIONS FOR EFFECTIVE BANKING SUPERVISION

As a prerequisite, the supervisory authority needs to have clear responsibilities and objectives set by legislation, and needs to possess operational independence. It is also imperative to have adequate resources in terms of staffing, funding and technology to carry out its tasks. At the apex of the latter is the need for a suitable legal framework for banking supervision, including provisions relating to the authorisation of banking organisations and their ongoing supervision. The principles stipulate that the framework of law should set out minimum standards that banking institutions need to meet and, at the same time, allow supervisors sufficient flexibility to set prudential rules and powers to address compliance with those rules.

However, there are certain infrastructure elements that are required to support effective banking supervision, as by itself it is only part of wider arrangements that are needed to promote stability in financial markets. These infrastructure elements include –

- sound and sustainable macroeconomic policies
- a well-developed public infrastructure
- effective market discipline
- procedures for the efficient resolution of problems in banks, and
- mechanisms for providing an appropriate level of systemic protection (or public safety net).

The foregoing arrangements are outlined in the summary below.

Sound and sustainable macroeconomic policies need to be the foundation of a stable financial system. Although this is largely beyond the control of banking supervisors to ensure, supervisors need to react if they perceive that existing policies are undermining the safety and soundness of the banking system. In the absence of sound macroeconomic policies, banking supervisors will be faced with a virtually impossible task.

A well developed public infrastructure needs to cover the following facilities, which, if not adequately provided, can significantly contribute to the destabilisation of financial systems:

A system of business laws including corporate, bankruptcy, contract, consumer protection and private property laws, that is consistently enforced and provides a mechanism for the fair resolution of disputes

Comprehensive and well-defined accounting principles and rules that command wide international acceptance

A system of independent audits for companies of significant size so that users of financial statements, including banks, have independent assurance that the accounts provide a true and fair view of the financial position of the company and are prepared according to established accounting principles, with auditors held accountable for their work

Well-defined rules governing, and adequate supervision of, other financial markets and, where appropriate, their participants, and

A secure and efficient payment and clearing system for the settlement of financial transactions where counterparty risks are controlled.

Effective market discipline is largely dependent on an adequate flow of information to market participants, appropriate financial incentives to reward well-managed institutions, and arrangements that ensure that investors are not insulated from the consequences of their decisions. Among the issues to be addressed are corporate governance and ensuring that accurate, meaningful, transparent and timely information is provided by borrowers to investors and creditors.

Sufficiently flexible powers are necessary in order to *effect an efficient resolution of problems in banks.* Where problems are remediable, supervisors will normally seek to identify and implement solutions that fully address their concerns; where they are not, the prompt and orderly exit of institutions that are no longer able to meet supervisory requirements is a necessary part of an efficient financial system. Forbearance, whether or not the result of political pressure, normally leads to worsening problems and higher resolution costs. The supervisory agency should be responsible for, or assist in, the orderly exit of problem banks so as to ensure that depositors are repaid to the fullest extent possible from the resources of the bank (supplemented by any applicable deposit insurance) and ahead of shareholders, subordinated debt holders and other connected parties. In some cases, the best interests of depositors may be served by some form of restructuring, possibly takeover by a stronger institution or injection of new capital or shareholders. Supervisors may be able to facilitate such outcomes. It is essential that the end result fully meets all supervisory requirements; that it is realistically achievable in a short and determinate time frame; and that, in the interim, depositors are protected.

Deciding on the *appropriate level of systemic protection* is by and large a policy question to be taken by the relevant authorities (including the central bank), particularly where it may result in a commitment of public funds. Supervisors will also normally have a role to play because of their in-depth knowledge of the institutions involved. In order to preserve the operational independence of supervisors, it is important to draw a clear distinction between this systemic protection (or safety net) role and day-to-day supervision of solvent institutions.

In handling systemic issues, it will be necessary to address, on the one hand, risks to confidence in the financial system and contagion to otherwise sound institutions, and, on the other hand, the need to minimise the distortion to market signals and discipline. Deposit insurance arrangements, where they exist, may also be triggered.

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SUMMARY OF THE 25 CORE PRINCIPLES

The BCPs define 25 principles that are needed for a supervisory system to be effective. These principles are broadly categorised into seven groups: Objectives, independence, powers, transparency and cooperation (Principle 1); Licensing and structure (Principles 2 to 5); Prudential regulation and requirements (Principles 6 to 18); Methods for ongoing banking supervision (Principles 19 to 21); Accounting and disclosure (Principle 22); Corrective and remedial powers of supervisors (Principle 23); and Consolidated and cross-border banking supervision (Principles 24 and 25). The principles are explained in more detail below.

OBJECTIVES, INDEPENDENCE, POWERS, TRANSPARENCY AND COOPERATION

Principle 1 – Objectives, independence, powers, transparency and cooperation: An effective system of banking supervision will have clear responsibilities and objectives for each authority involved in the supervision of banks. Each such authority should possess operational independence, transparent processes, sound governance and adequate resources, and be accountable for the discharge of its duties. A suitable legal framework for banking supervision is also necessary, including provisions relating to authorisation of banking establishments and their ongoing supervision; powers to address compliance with laws as well as safety and soundness concerns; and legal protection for supervisors. Arrangements for sharing information between supervisors and protecting the confidentiality of such information should also be in place.

LICENSING AND STRUCTURE

Principle 2 – Permissible activities: The permissible activities of institutions that are licensed and subject to supervision must be clearly defined and the use of the word bank in names should be controlled as far as possible.

Principle 3 – Licensing criteria: The licensing authority must have the power to set criteria and reject applications for establishments that do not meet the set standards. The licensing process, at the very least, should consist of an assessment of the ownership structure and governance of the bank and its wider group, including the fitness and propriety of Board members and senior management, its strategic and operating plan, internal controls and risk management, and its projected financial condition, including its capital base. Where the proposed owner or parent organisation is a foreign bank, the prior consent of its home country supervisor should be obtained.

Principle 4 – Transfer of significant ownership: The supervisor has the power to review and reject any proposals to transfer significant ownership or controlling interests held directly or indirectly in existing banks to other parties.

Principle 5 – Major acquisitions: The supervisor has the power to review major acquisitions or investments by a bank, against prescribed criteria, including the establishment of cross-border operations, and confirming that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision.

PRUDENTIAL REGULATIONS AND REQUIREMENTS

Principle 6 – Capital adequacy: Supervisors must set prudent and appropriate minimum capital adequacy requirements for banks that reflect the risks that the bank undertakes, and must define the components of capital, bearing in mind the bank's ability to absorb losses. At least for internationally active banks, these requirements must not be less than those established in the applicable Basel requirement.

Principle 7 – Risk management process: Supervisors must be satisfied that banks and banking groups have in place a comprehensive risk management process (including Board and senior management oversight) to identify, evaluate, monitor and control or mitigate all material risks and to assess their overall capital adequacy in relation to their risk profile. These processes should be commensurate with the size and complexity of the institution.

Principle 8 – Credit risk: Supervisors must be satisfied that banks have a credit risk management process that takes into account the risk profile of the institution, with prudent policies and processes to identify, measure, monitor and control credit risk (including counterparty risk). This would include the granting of loans and making of investments, the evaluation of the quality of such loans and investments, and the ongoing management of the loan and investment portfolios.

Principle 9 – Problem assets, provisions and reserves: Supervisors must be satisfied that banks establish and adhere to adequate policies and processes for managing problem assets and evaluating the adequacy of provisions and reserves.

P*rinciple 10 – Large exposure limits:* Supervisors must be satisfied that banks have policies and processes that enable management to identify and manage concentrations within the portfolio, and supervisors must set prudential limits to restrict bank exposures to single counterparties or groups of connected counterparties.

Principle 11 – Exposures to related parties: In order to prevent abuses arising from exposures (both on and off the Balance Sheet) to related parties and to address conflict of interest, supervisors must have in place requirements that banks extend exposures to related companies and individuals on an arm's length basis; these exposures are effectively monitored; appropriate steps are taken to control or mitigate the risks; and write-offs of such exposures are made according to standard policies and processes.

P*rinciple 12 – Country and transfer risks:* Supervisors must be satisfied that banks have adequate policies and processes for identifying, measuring, monitoring and controlling country risk and transfer risk in their international lending and investment activities, and for maintaining adequate provisions and reserves against such risks.

Principle 13 – Market risks: Supervisors must be satisfied that banks have in place policies and processes that accurately identify, measure, monitor and control market risks; and supervisors should have powers to impose specific limits and/or a specific capital charge on market risk exposures, if warranted.

Principle 14 – Liquidity risk: Supervisors must be satisfied that banks have a liquidity management strategy that takes into account the risk profile of the institution, with prudent policies and processes to identify, measure, monitor and control liquidity risk, and to manage liquidity on a day-to-day basis. Supervisors require banks to have contingency plans for handling liquidity problems.

Principle 15 – Operational risk: Supervisors must be satisfied that banks have in place risk management policies and processes to identify, assess, monitor and control/mitigate operational risk. These policies and processes should be commensurate with the size and complexity of the bank.

Principle 16 – Interest rate risk in the banking book: Supervisors must be satisfied that banks have effective systems in place to identify, measure, monitor and control interest rate risk in the banking book, including a well-defined strategy that has been approved by the Board and implemented by senior management; these should be appropriate to the size and complexity of such risk.

Principle 17 – Internal control and audit: Supervisors must be satisfied that banks have in place internal controls that are adequate for the size and complexity of their business. These should include clear arrangements for delegating authority and responsibility; separation of the functions that involve committing the bank, paying away its funds, and accounting for its assets and liabilities; reconciliation of these processes; safeguarding the bank's assets; and appropriate independent internal audit and compliance functions to test adherence to these controls as well as applicable laws and regulations.

Principle 18 – Abuse of financial services: Supervisors must be satisfied that banks have adequate policies and processes in place, including strict 'know your customer' rules, that promote high ethical and professional standards in the financial sector and prevent the bank from being used, intentionally or unintentionally, for criminal activities.

METHODS FOR ONGOING BANKING SUPERVISION

Principle 19 – Supervisory approach: An effective banking supervisory system requires that supervisors develop and maintain a thorough understanding of the operations of individual banks and banking groups, and also of the banking system as a whole, focusing on safety and soundness, and the stability of the banking system.

Principle 20 – Supervisory techniques: An effective banking supervisory system should consist of on- and off-site supervision and regular contacts with bank management.

Principle 21 – Supervisory reporting: Supervisors must have a means of collecting, reviewing and analysing prudential reports and statistical returns from banks on both a solo and a consolidated basis, and a means of independent verification of these reports, through either on-site examinations or use of external experts.

ACCOUNTING AND DISCLOSURE

Principle 22 – Accounting and disclosure: Supervisors must be satisfied that each bank maintains adequate records drawn up in accordance with accounting policies and practices that are widely accepted internationally, and publishes, on a regular basis, information that fairly reflects its financial condition and profitability.

CORRECTIVE AND REMEDIAL POWERS OF SUPERVISORS

Principle 23 – Corrective and remedial powers of supervisors: Supervisors must have at their disposal an adequate range of supervisory tools to bring about timely corrective actions. This includes the ability, where appropriate, to revoke a banking licence or to recommend its revocation.

CONSOLIDATED AND CROSS-BORDER BANKING SUPERVISION

Principle 24 – Consolidated supervision: An essential element of banking supervision is that supervisors supervise the banking group on a consolidated basis, adequately monitoring and, as appropriate, applying prudential norms to all aspects of the business conducted by the group worldwide.

Principle 25 – Home–host relationships: Cross-border consolidated supervision requires cooperation and information exchange between home supervisors and the various other supervisors involved, primarily host banking supervisors. Banking supervisors must require the local operations of foreign banks to be conducted to the same standards as those required of domestic institutions.

ASSESSMENT CRITERIA FOR COMPLIANCE

An assessment of a country's compliance with the BCPs can be considered a useful tool in a country's implementation of an effective system of banking supervision.

As mentioned earlier, banking supervisors use the BCPs to assess the quality of their system and identify any weaknesses that may exist and set priorities to address such shortcomings. In order to achieve objectivity and comparability in the different country assessments of compliance with the BCPs, the Basel Committee has developed a Core Principle methodology.

The methodology sets out assessment criteria and accompanying gradings which are to be applied when assessing compliance with each BCP. The assessment criteria comprise essential and additional criteria. In determining compliance, only the essential criteria are considered, while additional criteria are accepted as 'best practice' which should be considered by countries with advanced banking systems.

The assessment criteria have the following revised grading scale:

Compliant: A country will be considered *compliant* with a principle when all essential criteria are met without any significant deficiency. However, there may be instances where a country can demonstrate that the principle has been achieved by other means. Conversely, due to the specific conditions in individual countries, the essential criteria may not always be sufficient to achieve the objective of the principle, and therefore other measures may also be needed for the aspect of banking supervision addressed by the principle to be considered effective.

Largely compliant: A country will be considered *largely compliant* with a principle if only minor shortcomings are observed which do not raise any concern about the authority's ability and clear intent to achieve full compliance with the principle within a prescribed period. The assessment *largely compliant* can be used when the system does not meet all essential criteria, but the overall effectiveness is sufficient and no material risks are left unaddressed.

Materially non-compliant: A country will be considered *materially non-compliant* with a principle whenever there are severe shortcomings, despite the existence of formal rules, regulations and procedures, and there is evidence that supervision has clearly not been effective, that practical implementation is weak, or that the shortcomings are of such a nature to raise doubts about the authority's ability to achieve compliance. It is acknowledged that the gap between *largely compliant* and *materially non-compliant* is wide, and that the choice may be difficult. However, the intention is to force the assessors to make a clear statement.

Non-compliant: A country will be considered *non-compliant* with a principle whenever there has been no substantive implementation of the principle, several essential criteria are not complied with, or supervision is manifestly ineffective.

THE CORE PRINCIPLES COMPLIANCE ASSESSMENT

In practice, BCP assessments may be conducted in a variety of contexts:

Self-assessments of local supervisory regimes by domestic bank supervisors

Peer reviews conducted, for instance, within regional groupings of bank supervisors

Reviews conducted by private third parties such as ratings agencies and consulting firms, and

Reviews in the context of IMF surveillance or World Bank lending programs, or via the joint IMF–World Bank Financial Stability Assessment Program (FSAP).

Self-assessment is viewed as an informal but nonetheless valuable means of establishing the current state-of-play of the banking supervisory systems, and identifying areas where improvements may be required to bring arrangements closer into line with international best practice. In fact, a country's self-assessment is a starting point for an IMF–World Bank assessment of that country's compliance with the BCPs. For example, the Bank of Namibia conducted a self-assessment in 2004 that revealed many areas that needed to be improved. This assessment preceded the IMF–World Bank FSAP conducted in 2005, and was done before the revised BCPs were issued in October 2006.

The FSAP assessment of Namibia's banking supervisory system showed that most BCPs had already been enshrined in the country's current banking legislation and regulations. The gaps identified between existing practice and principles were mainly in the areas of risk management in banks, money laundering, host country supervision, and consolidated supervision. To this end, internal working groups were set up to suggest measures to bridge these gaps, and their recommendations are now in the process of being implemented. The gaps will also be addressed simultaneously with the implementation of Basel II. Table D.6 presents a summary of the 2005 FSAP assessment.

Table D.6: Summary results of the assessment conducted by the IMF–World Bank FSAP in 2005

Basel Core Principles	Grading				Comments
	C	LC	MNC	NC	
1. Objectives, autonomy, powers, resources					
1.1 Objectives		X			The effective systems of banking supervision have clear responsibilities and objectives for the regulatory agent involved with banks.
1.2 Independence		X			BoN is de facto independent from Government, and has been operating without interference from the banking industry.
1.3 Legal framework	X				
1.4 Enforcement powers	X				
1.5 Legal protection		X			BoN staff and others should have legal protection.
1.6 Information-sharing	X				
2. Permissible activities	X				
3. Licensing criteria		X			Lack formal commitment from parent companies and consider new applications on the basis of economic advantage to Namibia.
4. Ownership			X		BoN does not carry out consolidated supervision yet.
5. Investment criteria			X		Holding companies are not yet supervised, but most Namibian banking groups are active in areas such as insurance and property development through subsidiaries of the holding company.
6. Capital adequacy		X			Market risk regime not introduced.
7. Credit policies	X				
8. Loan evaluation		X			No clear details exist as to how the BoN will integrate the matrix approach to provisioning with the IFRS approach to impaired financial instruments, embodied in IAS 39.
9. Large exposure limits		X			Collateral requirements for certain commodities are not sufficient.
10. Connected lending			X		Existing legislation remained unenforced.
11. Country risk				X	No regulations on country and transfer risk exist.

Basel Core Principles	Grading				Comments
	C	LC	MNC	NC	
12. Market risk				X	No capital charge for market risk. Exposures are limited to net exposures in FX
13. Other risks			X		BoN should formulate disclosure requirements to foster market discipline.
14. Internal controls and audit			X		No detailed evaluations were done regarding the control environment during on-site inspections.
15. Money laundering			X		Namibia does not have AML/CFT legislation, although the FIU is to be set up independently from banking supervision.
16. On- and off-site supervision			X		Establish a programme to remedy the deficiencies in the supervisory process.
17. Bank management			X		No pre-assessment of new business plans and strategic direction of banks done.
18. Off-site supervision		X			No returns exist for operational, market and country risk.
19. Validation of information		X			Introduce meeting with the Board, particularly Non-executive Directors, on more general issues and institution-specific ones.
20. Consolidated supervision				X	Introduce a full regime of consolidated supervision.
21. Accounting standards		X			Generally Accepted Accounting Practice has been progressively modified to comply with the IFRS as of 01/01/2006.
22. Remedial measures	X				
23. Global consolidated supervision		X			Allow for adequate reporting of foreign activities, appropriate internal control, and effective oversight of foreign operations.
24. Host country supervision			X		BoN does not supervise holding companies; therefore it is difficult to enforce the provisions of section 14 of the Banking Institutions Act.
25. Supervision over foreign banks'		X			No formal meeting organised since the signing of the MOU with the South African Reserve Bank.

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THE CORE PRINCIPLES AND BASEL II

As mentioned earlier, the BCPs were updated by the Basel Committee in October 2006 in the light of significant developments that had occurred in banking and banking regulation as well as experiences of implementing the BCPs over the years. The updated version did not change the 1997 version in a material way, but lays emphasis on sound risk management and corporate governance practices of banking institutions, as well as consolidated supervision in view of the increase in cross-border operations by banking institutions.

There is a worldwide consensus among banking supervisors, the IMF and the World Bank that the BCPs provide a solid foundation upon which Basel II is built. Unsurprisingly, the key principles underpinning the three Pillars are linked to the Core Principles. To this end, Pillar I of Basel II builds on BCP 6 on capital adequacy. Pillar II rests on BCP 1 on enforcement, authority and operational independence, while BCP 7 builds on risk management requirements. Also in Pillar II, the four key principles complement the efforts of BCPs 19 to 21, which address methods for ongoing banking supervision, and BCP 23 on remedial action. Pillar III of Basel II builds on BCP 22 on information requirements. Given the close linkages between BCPs and Basel II, it suffices to say that countries complying fully with the BCPs would most likely comply with Basel II requirements.

THE WAY FORWARD FOR NAMIBIA

Using the Core Principles as a road map to Basel II, implementation is embedded in BCPs 6 and 7, which respectively deal with capital adequacy and the risk management processes of banking institutions.

Although the February 2006 FSAP assessment recommended full compliance with the Core Principles as a precursor to Basel II adoption, the Bank has opted for a concurrent approach because of the interrelatedness of the BCPs and Basel II. This can be perceived as ambitious by the Bank and will certainly stretch resources, particularly human resources. The challenge for the Bank is to manage the allocation of resources so as to maintain effective supervision of banking institutions in the present, whilst at the same time designing, building and implementing the new regulatory and supervisory framework for the future.

With the strong support of the Board and Executive Management, in close collaboration with and relying on the cooperation of banking institutions, there is broad optimism that the deadline of January 2010 with regard to complying with the Core Principles and implementation of Basel II can be met.

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PART E
STATISTICAL TABLES

PART E

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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 of 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 centre 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 centre 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.

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Monetary and Fiancial Statistics

3-month BA rate
The interest rate on a time draft (bill of exchange) drawn on and accepted by commercial banks 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 commercial banks. 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.

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 ODC's 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 commercial banks i.e. the rate that commercial banks 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.

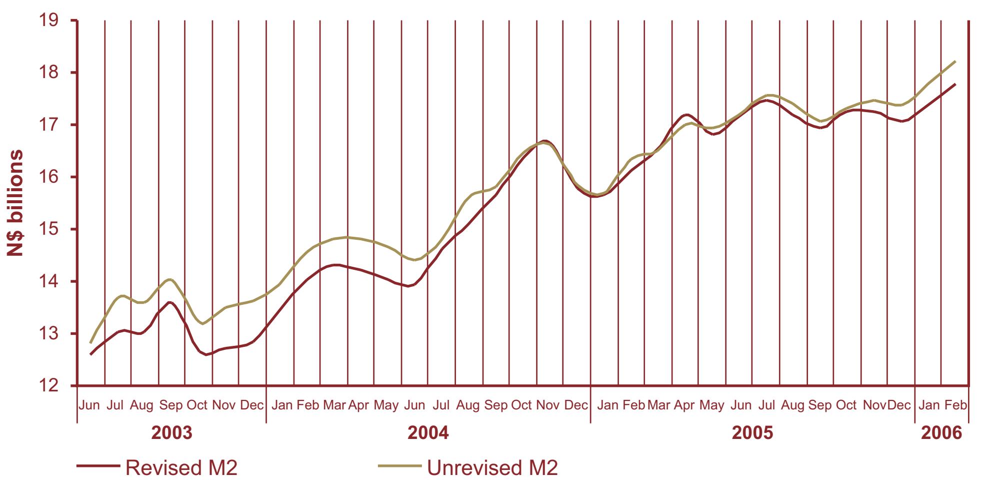
Real Interest rate
The rate of interest adjusted to allow for inflation; the nominal interest rate less the rate of inflation for Namibia, is the real interest rate.

MONETARY AND FINANCIAL STATISTICS HISTORICAL DATA REVISION

The Bank of Namibia has been revising Monetary and Financial Statistics for the period June 2003 to February 2006. This revision was driven by the need to align the old classification of money and banking statistics based on the IMF's 1984 Guide to Money and Banking Statistics with the new classification based on the IMF's Monetary and Financial Statistics Manual (MFS) 2000. Notice of this revision was published in the December 2007 Quarterly Bulletin. This notice presents a comparison of the revised with the unrevised datasets, focusing mainly on aggregates, namely, money supply, its determinants and Other Depository Corporations (ODCs) deposits.

MONEY SUPPLY (M2)

Chart E.1: Money supply



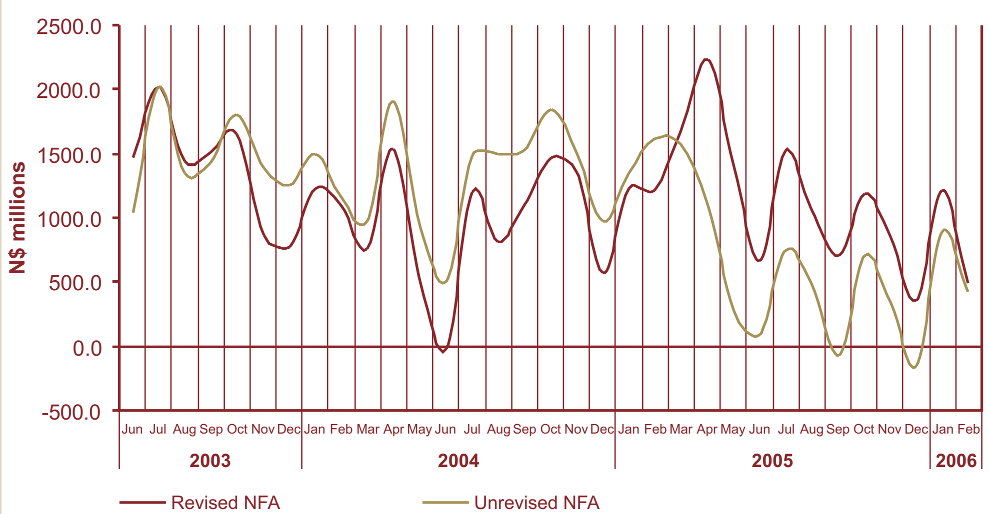
As can be seen in Chart E.1, changes between the revised and the unrevised data on M2 are apparent. This can be attributed to the misclassification of transactions related to the determinants of M2, namely net foreign assets and domestic credit.

DETERMINANTS OF MONEY SUPPLY

NET FOREIGN ASSETS (NFA)

The misclassification of NFAs was caused by some ODCs recording deposits, lending and borrowings with their parent companies as transactions with other domestic ODCs. The correct classification is to report these transactions under non-resident entities. This misclassification resulted in either an underestimation or overestimation of NFA components leading to the fluctuations displayed in Chart E.2.

Chart E.2: Net foreign assets



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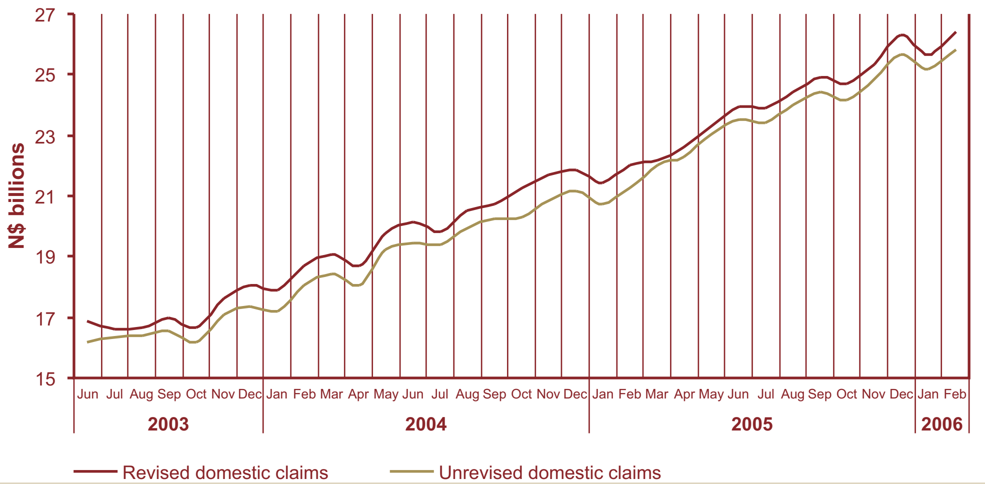
NET DOMESTIC CLAIMS

As can be seen in Chart E. 3, the revised data is slightly higher than the unrevised data and this is because of the loans extended by ODCs that arose after the re-classification. Before the re-classification, loans were reported on a net basis, hence the lower unrevised data. In contrast, the latest IMF manual now recommends recording on a gross basis.

Chart E.3: Net domestic claims



Furthermore, inconsistencies were noted in the classification of transactions with Central, State and Local Government and public non-financial corporations. As a result, changes were observed for some months in the aggregated figures for these sectors, and this had an effect on the total domestic claims that filtered through to M2.

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OTHER ITEMS NET

The fluctuations in other items net observed in the unrevised data continued in the revised data, with other liabilities exceeding other assets. This item is derived from unclassified assets and liabilities plus the consolidation adjustment.

DEPOSITS

With regard to deposits, ODCs did not make a clear distinction between transferable deposits and other deposits. As a result, most transferable deposits were classified as other deposits. Consequently, with the revised data, a general decline was observed in other deposits as these items were moved back to the transferable deposits component (Chart E.4).

Chart E.4: Deposits

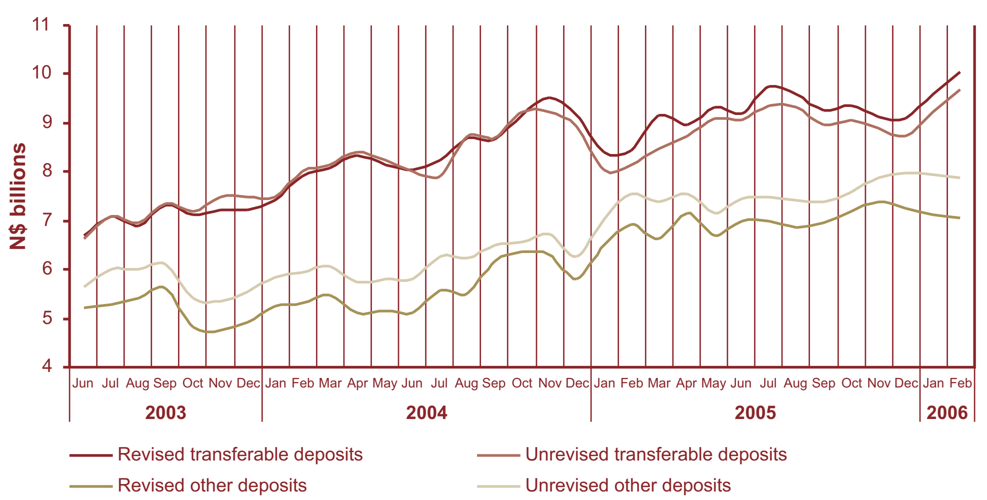

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Table 1.1 Aggregate economic indicators

	2002	2003	2004	2005	2006
Current Prices					
GDP (N$ mil.)	32908	33842	36496	39711	46971
% Change	18.9	2.8	7.8	8.8	18.3
GNI (N$ mil.)	33264	35574	37035	38996	46482
% Change	20.2	6.9	4.1	5.3	19.2
GDP per capita (N$)	17220	17293	18239	20292	23580
% Change	15.9	0.4	5.5	11.3	16.2
GNI per capita (N$)	17407	18178	18508	19926	23334
% Change	17.2	4.4	1.8	7.7	17.1
Constant 1995 Prices					
GDP (N$ mil.)	16494	17069	18201	19077	19854
% Change	6.7	3.5	6.6	4.2	4.2
GNI (N$ mil.)	19054	18942	19282	20580	22483
% Change	8.6	-0.6	1.8	6.7	9.2
GDP per capita (N$)	8631	8722	9096	9748	9967
% Change	4.1	1.1	4.3	2.0	2.0
GNI per capita (N$)	9970	9679	9636	10516	11287
% Change	6.0	-2.9	-0.4	9.1	7.3

Source: Central Bureau of Statistics

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Table I.2 Gross domestic product and gross national income

	2002	2003	2004	2005	2006
Current prices - N$ millions					
Compensation of employees	12012	13051	13903	14973	16473
Consumption of fixed capital	4073	5303	5913	6585	6300
Net operating surplus	13794	12525	12863	14023	19594
Gross domestic product at factor cost	**29878**	**30879**	**32680**	**35581**	**42367**
Taxes on production and imports	3582	3104	4030	4367	4847
Subsidies	-552	-140	-213	-238	-244
Gross domestic product at market prices	**32908**	**33842**	**36496**	**39711**	**46971**
Primary incomes					
receivable from the rest of the world	1803	2123	1483	955	1185
payable to rest of the world	-1447	-391	-944	-1670	-1674
Gross national income at market prices	**33264**	**35574**	**37035**	**38996**	**46482**
Current transfers					
receivable from the rest of the world	3202	3670	4529	4548	6771
payable to rest of the world	-308	-203	-225	-286	-306
Gross national disposable income	**36158**	**39041**	**41339**	**43258**	**52947**
Current prices - N$ per capita					
Gross domestic product at market prices	17220	17293	18239	20292	23580
Gross national income at market prices	17406	18178	18508	19926	23334
Constant 1995 prices - N$ millions					
Gross domestic product at market prices	**16494**	**17069**	**18201**	**19077**	**19854**
Annual percentage change	6.7	3.5	6.6	4.8	4.1
Real gross national income	**19054**	**18942**	**19282**	**20580**	**22483**
Annual percentage change	8.6	-0.6	1.8	6.7	9.2
Constant 1995 prices - N$ per capita					
Gross domestic product at market prices	**8631**	**8722**	**9096**	**9748**	**9967**
Annual percentage change	4.1	1.1	4.3	7.2	2.2
Real gross national income	**9970**	**9679**	**9636**	**10516**	**11287**
Annual percentage change	6.0	-2.9	-0.4	9.1	7.3

Source: Central Bureau of Statistics

Table I.3 National disposable income and saving

Current prices - N$ millions	2002	2003	2004	2005	2006
Disposable income and saving					
Gross national disposable income	**36158**	**39041**	**41339**	**53258**	**52947**
Consumption of fixed capital	4073	5303	5913	6585	6300
Net national disposable income	**32085**	**33738**	**35426**	**36673**	**46647**
All other sectors	24102	26012	25921	26045	33593
General government	7983	7727	9505	10628	13055
Final consumption expenditure	**26981**	**27766**	**30059**	**30617**	**33758**
Private	18289	18797	21031	20882	23204
General government	8692	8969	9027	9734	10554
Saving, net	**5105**	**5973**	**5367**	**6057**	**12889**
All other sectors	5813	7215	4889	5163	10388
General government	-708	-1242	478	894	2501
Financing of capital formation					
Saving, net	5105	5973	5367	6057	12889
Capital transfers receivable from abroad	431	512	501	509	576
Capital transfers payable to foreign countries	-4	-3	-3	-3	-3
Total	**5532**	**6482**	**5865**	**6562**	**13462**
Capital formation					
Gross fixed capital formation	**6964**	**9867**	**9180**	**9727**	**12235**
All other sectors	5876	8764	7974	8195	10510
General government	1087	1103	1216	1532	1725
Consumption of fixed capital	**-4073**	**-5303**	**-5913**	**-6585**	**-6300**
All other sectors	-3065	-4118	-4624	-5156	-4700
General government	-1008	-1185	-1289	-1428	-1560
Changes in inventories	-468	220	175	530	321
Net lending (+) / Net borrowing(-)	**3110**	**1697**	**2414**	**2890**	**7207**
All other sectors	3734	2859	1975	2215	5214
General government	-624	-1162	439	675	1993
Discrepancy on GDP 1)	-78	2790	693	-197	-799
Net lending/borrowing in external transactions 2)	3032	4487	3107	2692	6408
Total	**5532**	**6482**	**5865**	**6562**	**13462**

Source: Central Bureau of Statistics

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Table I.4 (a) Gross domestic product by activity

(Current Prices - N$ Millions)

Industry	2002	2003	2004	2005	2006
Agriculture and forestry	**1687**	**1814**	**1873**	**2398**	**2909**
Commercial	1309	1353	1294	1681	1945
Subsistence	378	461	579	717	963
Fishing & fish processing on board	**1608**	**1757**	**1547**	**1916**	**1958**
Mining and quarrying	**4565**	**2975**	**3489**	**3391**	**5518**
Diamond mining	3427	2630	3048	2782	4054
Other mining and quarrying	1138	345	441	609	1463
Primary industries	**7859**	**6546**	**6909**	**7704**	**10385**
Manufacturing	**3305**	**3870**	**4001**	**4055**	**5628**
Meat processing	143	139	126	121	81
Fish processing on shore	703	876	750	466	608
Manufacture of other food products and beverages	1515	1650	1690	1772	1979
Other manufacturing	944	1205	1434	1696	2959
Electricity and water	**854**	**1003**	**1197**	**1344**	**1250**
Construction	**725**	**1029**	**1100**	**1247**	**1743**
Secondary industries	**4884**	**5901**	**6298**	**6646**	**8621**
Wholesale and retail trade, repairs	**3428**	**3987**	**3985**	**4235**	**5191**
Hotels and restaurants	**576**	**648**	**653**	**670**	**724**
Transport, and communication	**2083**	**2382**	**2671**	**3019**	**3341**
Transport and storage	1289	1409	1497	1639	1848
Post and telecommunications	794	973	1173	1380	1493
Financial intermediation	**1088**	**1249**	**1213**	**1455**	**1562**
Real estate and business services	2832	3156	3542	3764	4073
Owner-occupied dwellings	1449	1593	1748	1861	2024
Other real estate and business services	1382	1563	1794	1902	2048
Community, social and personal services	**244**	**281**	**282**	**320**	**354**
Producers of government services	**6553**	**6863**	**7124**	**7752**	**8269**
Other producers	**558**	**606**	**647**	**673**	**721**
Tertiary industries	**17361**	**19172**	**20116**	**21888**	**24236**
Less: Financial services indirectly measured	**359**	**432**	**394**	**440**	**544**
All industries at basic prices	**29747**	**31187**	**32930**	**35798**	**42698**
Taxes less subsidies on products	**3161**	**2655**	**3567**	**3913**	**4273**
GDP at market prices	**32908**	**33842**	**36496**	**39711**	**46971**

Source: Central Bureau of Statistics

Table I.4 (b) Gross domestic product by activity

Percentage Contributions

Industry	2002	2003	2004	2005	2006
Agriculture and forestry	**5.1**	**5.4**	**5.1**	**6.0**	**6.2**
Commercial	4.0	4.0	3.5	4.2	4.1
Subsistence	1.1	1.4	1.6	1.8	2.1
Fishing	**4.9**	**5.2**	**4.2**	**4.8**	**4.2**
Mining and quarrying	**13.9**	**8.8**	**9.6**	**8.5**	**11.7**
Diamond mining	10.4	7.8	8.4	7.0	8.6
Other mining and quarrying	3.5	1.0	1.2	1.5	3.1
Primary industries	**23.9**	**19.3**	**18.9**	**19.4**	**22.1**
Manufacturing	**10.0**	**11.4**	**11.0**	**10.2**	**12.0**
Meat processing	0.4	0.4	0.3	0.3	0.2
Fish processing	2.1	2.6	2.1	1.2	1.3
Manufacture of other food products and beverages	**4.6**	**4.9**	**4.6**	**4.5**	**4.2**
Other manufacturing	**2.9**	**3.6**	**3.9**	**4.3**	**6.3**
Electricity and water	**2.6**	**3.0**	**3.3**	**3.4**	**2.7**
Construction	**2.2**	**3.0**	**3.0**	**3.1**	**3.7**
Secondary industries	**14.8**	**17.4**	**17.3**	**16.7**	**18.4**
Wholesale and retail trade, repairs	10.4	11.8	10.9	10.5	11.1
Hotels and restaurants	1.7	1.9	1.8	1.7	1.5
Transport, and communication	**6.3**	**7.0**	**7.3**	**7.6**	**7.1**
Transport and storage	3.9	4.2	4.1	4.1	3.9
Post and telecommunications	2.4	2.9	3.2	3.5	3.2
Financial intermediation	3.3	3.7	3.3	3.7	3.3
Real estate and business services	8.6	9.3	9.7	9.5	8.7
Owner-occupied dwellings	4.4	4.7	4.8	4.7	4.3
Other real estate and business services	4.2	4.6	4.9	4.8	4.4
Community, social and personal services	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**
Producers of government services	**19.9**	**20.3**	**19.5**	**19.5**	**17.6**
Other producers	**1.7**	**1.8**	**1.8**	**1.7**	**1.5**
Tertiary industries	**52.8**	**56.6**	**55.1**	**55.1**	**51.6**
Less: Financial services indirectly measured	**1.1**	**1.3**	**1.1**	**1.1**	**1.2**
All industries at basic prices	**90.4**	**92.2**	**90.2**	**90.1**	**90.9**
Taxes less subsidies on products	**9.6**	**7.8**	**9.8**	**9.9**	**9.1**
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 1995 Prices - N$ Millions)

Industry	2002	2003	2004	2005	2006
Agriculture and forestry	**975**	**1,010**	**1,019**	**1,130**	**1,175**
Commercial	723	755	681	738	746
Subsistence	252	255	338	391	430
Fishing & fish processing on board	**703**	**732**	**666**	**643**	**612**
Mining and quarrying	**1,296**	**1,237**	**1,688**	**1,665**	**1,922**
Diamond mining	942	909	1,260	1,217	1,524
Other mining and quarrying	355	328	428	448	398
Primary industries	**2,974**	**2,979**	**3,372**	**3,438**	**3,709**
Manufacturing	**1,816**	**1,911**	**1,968**	**2,009**	**1,842**
Meat processing	109	97	88	95	84
Fish processing on shore	183	277	269	256	159
Manufacture of other food products and beverages	**875**	**872**	**885**	**929**	**980**
Other manufacturing	**648**	**665**	**726**	**728**	**618**
Electricity and water	**230**	**266**	**279**	**315**	**299**
Construction	**459**	**564**	**562**	**586**	**777**
Secondary industries	**2,505**	**2,741**	**2,808**	**2,910**	**2,918**
Wholesale and retail trade, repairs	**1,607**	**1,674**	**1,801**	**1,915**	**2,117**
Hotels and restaurants	316	332	321	322	332
Transport, and communication	1,332	1,372	1,558	1,815	2,014
Transport and storage	837	753	816	863	964
Post and telecommunications	494	619	741	952	1,050
Financial intermediation	514	564	646	768	788
Real estate and business services	1,494	1,572	1,683	1,728	1,804
Owner-occupied dwellings	740	759	778	816	861
Other real estate and business services	754	813	906	912	943
Community, social and personal services	137	144	135	140	144
Producers of government services	3,408	3,475	3,650	3,811	3,769
Other producers	307	310	318	324	330
Tertiary industries	**9,114**	**9,444**	**10,113**	**10,824**	**11,299**
Less: Financial secvices indirectly measured	**155**	**178**	**206**	**233**	**276**
All industries at basic prices	**14,439**	**14,986**	**16,088**	**16,938**	**17,650**
Taxes less subsidies on products	**2,055**	**2,083**	**2,112**	**2,140**	**2,204**
GDP at market prices	**16,494**	**17,069**	**18,201**	**19,077**	**19,854**

Source: Central Bureau of Statistics

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Table I.5 (b) Gross domestic product by activity

Annual Percentage Changes

Industry	2002	2003	2004	2005	2006
Agriculture and forestry	**8.5**	**3.6**	**0.9**	**10.9**	**4.0**
Commercial	22.7	4.5	-9.9	8.5	1.0
Subsistence	-18.6	0.9	32.7	15.8	9.8
Fishing	**11.4**	**4.2**	**-9.1**	**-3.4**	**-4.8**
Mining and quarrying	**16.0**	**-4.6**	**36.5**	**-1.4**	**15.4**
Diamond mining	17.3	-3.5	38.6	-3.4	25.2
Other mining and quarrying	12.9	-7.5	30.6	4.5	-11.2
Primary industries	**12.4**	**0.2**	**13.2**	**1.9**	**7.9**
Manufacturing	**9.6**	**5.2**	**3.0**	**2.1**	**-8.3**
Meat processing	2.1	-11.6	-8.6	7.7	-11.2
Fish processing	-10.1	51.1	-3.0	-4.7	-38.0
Manufacture of other food products and beverages	**8.3**	**-0.3**	**1.4**	**5.0**	**5.6**
Other manufacturing	**20.5**	**2.6**	**9.2**	**0.3**	**-15.2**
Electricity and water	**1.1**	**15.6**	**4.7**	**12.9**	**-4.9**
Construction	**-13.1**	**22.9**	**-0.4**	**4.4**	**32.5**
Secondary industries	**3.8**	**9.4**	**2.5**	**3.6**	**0.3**
Wholesale and retail trade, repairs	**7.4**	**4.1**	**7.6**	**6.4**	**10.5**
Hotels and restaurants	**8.4**	**4.9**	**-3.2**	**0.3**	**3.0**
Transport, and communication	**11.4**	**3.1**	**13.5**	**16.5**	**10.9**
Transport and storage	15.5	-10.0	8.4	5.7	11.7
Post and telecommunications	5.0	25.2	19.7	28.4	10.3
Financial intermediation	3.3	9.6	14.6	18.9	2.6
Real estate and business services	7.2	5.2	7.1	2.6	4.4
Owner-occupied dwellings	4.1	2.5	2.5	4.9	5.6
Other real estate and business services	10.5	7.9	11.3	0.7	3.4
Community, social and personal services	**2.9**	**5.6**	**-6.5**	**3.7**	**3.1**
Producers of government services	**3.9**	**2.0**	**5.0**	**4.4**	**-1.1**
Other producers	**2.8**	**1.2**	**2.5**	**1.8**	**1.9**
Tertiary industries	**6.2**	**3.6**	**7.1**	**7.0**	**4.4**
Less: Financial secvices indirectly measured	**-1.9**	**15.1**	**15.5**	**13.5**	**18.1**
All industries at basic prices	**7.1**	**3.8**	**7.4**	**5.3**	**4.2**
Taxes less subsidies on products	**4.1**	**1.4**	**1.4**	**1.3**	**3.0**
GDP at market prices	**6.7**	**3.5**	**6.6**	**4.8**	**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	2002	2003	2004	2005	2006
Final consumption expenditure	**26,981**	**27,766**	**30,059**	**30,617**	**33,758**
Private	18,289	18,797	21,031	20,882	23,204
General government	8,692	8,969	9,027	9,734	10,554
Gross fixed capital formation	**6,964**	**9,867**	**9,190**	**9,727**	**12,235**
Changes in inventories	**-468**	**220**	**175**	**530**	**321**
Gross domestic expenditure	**33,476**	**37,853**	**39,423**	**40,873**	**46,313**
Exports of goods and services	**16,320**	**17,396**	**16,757**	**18,901**	**24,534**
Imports of goods and services	**16,966**	**18,617**	**18,992**	**20,261**	**24,676**
Discrepancy	**78**	**-2,790**	**-693**	**197**	**799**
Gross domestic product at market prices	**32,908**	**33,842**	**36,496**	**39,711**	**46,971**

Source: Central Bureau of Statistics

Table I.6 (b) Expenditure on gross domestic product
(Current Prices - N$ Million)

Expenditure category	2002	2003	2004	2005	2006
Final consumption expenditure	**82.0**	**82.0**	**82.4**	**77.1**	**71.9**
Private	55.6	55.5	57.6	52.6	49.4
General government	26.4	26.5	24.7	24.5	22.5
Gross fixed capital formation	**21.2**	**29.2**	**25.2**	**24.5**	**26.0**
Changes in inventories	**(1.4)**	**0.7**	**0.5**	**1.3**	**0.7**
Gross domestic expenditure	**101.7**	**111.9**	**108.0**	**102.9**	**98.6**
Exports of goods and services	**49.6**	**51.4**	**45.9**	**47.6**	**52.2**
Imports of goods and services	**51.6**	**55.0**	**52.0**	**51.0**	**52.5**
Discrepancy	**0.2**	**(8.2)**	**(1.9)**	**(0.5)**	**1.7**
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table I.7 (a) Expenditure on gross domestic product

(Constant 1995 Prices - N$ Million)

Expenditure category	2002	2003	2004	2005	2006
Final consumption expenditure	**14927**	**14245**	**15202**	**14980**	**15830**
Private	10248	9564	10486	10158	10955
General government	4679	4680	4716	4822	4875
Gross fixed capital formation	**4806**	**5967**	**5350**	**5375**	**6340**
Changes in inventories	**-171**	**52**	**81**	**279**	**85**
Gross domestic expenditure	**19562**	**20264**	**20634**	**20634**	**22255**
Exports of goods and services	**7216**	**8878**	**8514**	**8146**	**9235**
Imports of goods and services	**9945**	**10514**	**10555**	**10730**	**12168**
Discrepancy	**-338**	**-1559**	**-392**	**1027**	**533**
Gross domestic product at market prices	**16494**	**17069**	**18201**	**19077**	**19854**

Source: Central Bureau of Statistics

Table I.7 (b) Expenditure on gross domestic product

(Constant 1995 Prices - N$ Million)

Expenditure category	2002	2003	2004	2005	2006
Final consumption expenditure	**3.5**	**-4.6**	**6.7**	**(1.5)**	**5.7**
Private	4.3	-6.7	9.6	(3.1)	7.8
General government	1.7	0.0	0.8	2.3	1.1
Gross fixed capital formation	**11.9**	**24.2**	**-10.3**	**0.5**	**18.0**
Changes in inventories	**-2.5**	**1.4**	**0.2**	**1.1**	**(1.0)**
Gross domestic expenditure	**3.3**	**3.6**	**1.8**	**0.0**	**7.9**
Exports of goods and services	**14.0**	**23.0**	**-4.1**	**(4.3)**	**13.4**
Imports of goods and services	**3.4**	**5.7**	**0.4**	**1.7**	**13.4**
Discrepancy	**-1.0**	**-7.4**	**6.8**	**7.8**	**-2.6**
Gross domestic product at market prices	**6.7**	**3.5**	**6.6**	**4.8**	**4.1**

Table I.8 Gross fixed capital formation by activity

(Current prices - N$ Million)

Industry	2002	2003	2004	2005	2006
Agriculture	326	392	414	434	462
Fishing	249	262	275	281	286
Mining and quarrying	874	3084	1919	1794	3254
Manufacturing	1751	1629	1690	1688	2097
Electricity and water	285	796	709	280	364
Construction	205	258	280	286	294
Wholesale and retail trade; hotels, restaurants	281	250	326	367	412
Transport, and communication	1120	1029	1127	1384	1527
Finance, real estate, business services	801	1077	1252	1683	1834
Community, social and personal services	28	32	32	34	33
Producers of government services	1042	1058	1165	1497	1673.0
Total	**6964**	**9867**	**9190**	**9727**	**12235**
Per cent of GDP	21.2	29.2	25.2	24.5	26.0

Source: Central Bureau of Statistics

Table I.9 Gross fixed capital formation by activty

(Constant 1995 Prices - N$ Million)

Industry	2002	2003	2004	2005	2006
Agriculture	230	243	259	269	281
Fishing	187	164	174	176	176
Mining and quarrying	638	1971	1189	1051	1678
Manufacturing	1212	979	998	958	1114
Electricity and water	186	465	395	145	180
Construction	149	162	177	179	180
Wholesale and retail trade; hotels, restaurants	194	152	196	214	231
Transport, and communication	803	599	643	771	818
Finance, real estate, business services	526	624	696	873	892
Community, social and personal services	21	20	21	22	21
Producers of government services	660	588	602	717	770
Total	**4806**	**5967**	**5350**	**5375**	**6340**
Annual change, per cent	11.9	24.2	-10.3	0.5	18

Source: Central Bureau of Statistics

Table I.10 Gross fixed capital formation by the type of asset

(Current 1995 prices - N$ Million)

Type of Asset	2002	2003	2004	2005	2006
Buildings	2019	1908	2332	2688	3109
Construction works	1170	1994	1947	2172	3571
Transport equipment	1789	2037	1943	1889	2087
Machinery and other equipment	1840	3665	2497	2500	2985
Mineral exploration	146	264	472	477	482
Total	**6964**	**9867**	**9190**	**9727**	**12235**

Source: Cental Bureau of Statistics

Table I.11 Gross fixed capital formation by type of asset

(Constant 1995 Prices - N$ Million)

Type of Asset	2002	2003	2004	2005	2006
Buildings	1321	1079	1261	1353	1467
Construction works	705	1070	949	967	1540
Transport equipment	1274	1185	1129	1087	1167
Machinery and other equipment	1409	2460	1702	1696	1905
Mineral exploration	97	174	309	273	261
Total	**4806**	**5967**	**5350**	**5375**	**6340**

Source: Central Bureau of Statistics

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Table I.12 Gross capital formation by ownership

(Current prices - N$ Million)

Ownership	2002	2003	2004	2005	2006
Public	**2052**	**2383**	**2498**	**2640**	**2923**
Producers of government services	1042	1058	1165	1497	1673
Public corporations and enterprises	1010	1325	1333	1143	1250
Private	4912	7484	6692	7087	9312
Total	**6964**	**9867**	**9190**	**9727**	**12235**

Source: Central Bureau of Statistics

Table I.13 Gross fixed capital formation by ownership

(Constant 1995 Prices - N$ Million)

Ownership	2002	2003	2004	2005	2006
Public	**1378**	**1361**	**1356**	**1347**	**1428**
Producers of government services	660	588	602	717	770
Public corporations and enterprises	718	773	754	630	658
Private	3428	4606	3994	4028	4912
Total	**4806**	**5967**	**5350**	**5375**	**6340**

Source: Central Bureau of Statistics

Table I.14 Fixed capital stock by activity (current prices - N$ million)

Industry	2002	2003	2004	2005	2006
Agriculture	5077	5811	5977	6190	5055
Fishing	1306	1736	1894	2068	2274
Mining and quarrying	6460	10023	11108	12413	14951
Manufacturing	4507	6275	7480	8785	7807
Electricity and water	5615	6808	7664	8292	8513
Construction	757	889	905	912	907
Wholesale and retail trade; hotels, restaurants	2429	2755	2849	3036	3229
Transport, and communication	7536	8864	9427	10332	10952
Finance, real estate, business services	10980	13371	14747	16951	19261
Community, social and personal services	424	485	498	520	532
Producers of government services	31130	35176	37979	41459	43294
Total	**76221**	**92193**	**100529**	**110957**	**116774**

Source: Central Bureau of Statistics

Table I.15 Fixed capital stock by activity (constant 1995 prices - N$ million)

Industry	2002	2003	2004	2005	2006
Agriculture	3181	3198	3207	3205	3190
Fishing	979	1086	1195	1301	1399
Mining and quarrying	4532	5937	6523	6964	7990
Manufacturing	3046	3679	4256	4720	5254
Electricity and water	3487	3763	3949	3877	3830
Construction	545	555	563	557	535
Wholesale and retail trade; hotels, restaurants	1617	1588	1588	1590	1591
Transport, and communication	4854	4942	5011	5133	5226
Finance, real estate, business services	7193	7579	8014	8600	9179
Community, social and personal services	287	288	288	287	283
Producers of government services	19349	19258	19157	19141	19147
Total	**49072**	**51873**	**53753**	**55374**	**57624**

Source: Central Bureau of Statistics

Table 1.16 (a) NATIONAL CONSUMER PRICE INDEX (December 2001 = 100)

	Food & non alcoholic beverages	Alcoholic beverages & tobacco	Clothing and foot wear	Housing, water, electricity, gas & others	Furniture, household equipment & maintenance	Health	Transport	Communication	Recreation & culture	Education	Hotels, cafes & restaurant	Miscellaneous goods & services	All items	All Items annual percentage changes
	29.63	3.26	5.13	20.59	5.61	1.51	14.79	0.9	2.5	7.36	1.62	7.11	100	
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**	**107.9**	**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	114.3	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
	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	158.0	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	158.0	149.7	116.8	141.9	7.1
	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	125.1	116.2	157.5	113.8	122.0	168.7	151.3	117.7	144.1	7.8

Table 1.16 (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	4.8	127.5	0.2	5.6
Jul	130.0	0.8	4.9	128.2	0.6	5.2
Aug	131.6	1.3	6.0	129.2	0.8	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

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Table II.1(a) Central Bank survey (end of period in N$ million)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Assets																								
Net foreign assets	**2705.5**	**2696.0**	**2457.7**	**3129.7**	**2973.0**	**2677.9**	**3313.1**	**2760.7**	**3119.2**	**4104.4**	**3495.2**	**3164.3**	**4865.6**	**4466.4**	**5690.0**	**6260.1**	**5643.8**	**6085.3**	**7455.9**	**6359.0**	**5868.7**	**6499.9**	**6257.0**	**6116.2**
Claims on nonresidents	2718.3	2708.4	2470.0	3142.0	2986.6	2688.3	3323.1	3130.7	3517.0	4495.2	3877.7	3573.6	5288.6	4875.6	6094.7	6658.5	6054.6	6485.4	7887.6	6422.5	5947.2	6561.6	6320.7	6173.0
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	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Foreign currency	94.4	75.2	146.7	130.2	113.1	96.7	107.0	117.1	111.2	116.8	132.8	133.1	150.8	226.6	73.1	154.7	100.5	194.7	161.9	183.8	206.1	159.4	112.2	108.7
Deposits	2565.7	2616.3	2299.2	2981.2	2835.6	2546.0	3162.6	2948.3	3337.7	4299.9	3661.7	3348.9	5125.9	4626.0	5985.6	6455.1	5896.6	6221.3	7643.8	6146.9	5638.0	6288.0	6083.2	5926.8
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	58.0	16.7	23.9	30.4	37.8	45.4	53.2	65.1	67.9	78.2	83.0	91.4	11.6	22.8	35.8	48.6	57.2	69.2	81.7	91.6	103.0	114.1	125.1	137.3
less: Liabilities to nonresidents	-12.8	-12.4	-12.2	-12.3	-13.5	-10.4	-9.9	-369.9	-397.8	-390.8	-382.5	-409.3	-423.0	-409.2	-404.7	-398.4	-410.8	-400.2	-431.7	-63.5	-78.6	-61.8	-63.7	-56.7
Deposits	-12.7	-12.3	-12.2	-12.3	-13.5	-9.6	-9.5	-14.1	-11.0	-7.8	-19.2	-17.7	-18.2	-15.6	-7.3	-7.3	-15.7	-6.8	-36.3	-29.5	-29.3	-13.1	-16.8	-7.2
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	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	-0.1	-0.1	-0.1	0.0	0.0	-0.7	-0.5	-355.8	-386.7	-383.0	-363.3	-391.5	-404.8	-393.6	-397.4	-391.2	-395.1	-393.3	-395.4	-33.9	-49.2	-48.7	-46.9	-49.5
Claims on other depository corporations	278.6	125.5	181.6	672.8	622.5	833.1	1093.0	1027.2	1099.2	1031.8	980.8	1333.0	1835.2	1947.4	1938.8	2004.6	1994.3	2024.6	558.0	468.9	329.1	371.6	636.3	1215.9
Net claims on central government	-1208.3	-969.0	-843.1	-1912.1	-1523.3	-1348.2	-2227.7	-1531.0	-1766.1	-2729.6	-2106.6	-2093.3	-4396.2	-4125.4	-5155.0	-5885.5	-5141.7	-5691.1	-5426.8	-4243.0	-3608.6	-4473.9	-4141.2	-4595.1
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	-1208.3	-969.0	-843.1	-1912.1	-1523.3	-1348.2	-2227.7	-1531.0	-1766.1	-2729.6	-2106.6	-2093.3	-4396.2	-4125.4	-5155.0	-5885.5	-5141.7	-5691.1	-5426.8	-4243.0	-3608.6	-4473.9	-4141.2	-4595.1
Deposits	-1208.3	-969.0	-843.1	-1912.1	-1523.3	-1348.2	-2227.7	-1531.0	-1766.1	-2729.6	-2106.6	-2093.3	-4396.2	-4125.4	-5155.0	-5885.5	-5141.7	-5691.1	-5426.8	-4243.0	-3608.6	-4473.9	-4141.2	-4595.1
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on other sectors	14.0	13.7	13.6	13.1	13.6	13.7	13.6	14.0	14.5	15.1	15.7	15.8	15.6	15.4	16.5	16.0	16.0	15.8	16.1	16.6	16.2	16.2	16.8	17.4
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	14.0	13.7	13.6	13.1	13.6	13.7	13.6	14.0	14.5	15.1	15.7	15.8	15.6	15.4	16.5	16.0	16.0	15.8	16.1	16.6	16.2	16.2	16.8	17.4

Table II.1 (b) Central Bank survey

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Liabilities																								
Monetary base	**1262.9**	**1284.9**	**1270.0**	**1320.0**	**1329.0**	**1330.2**	**1378.9**	**1398.9**	**1459.0**	**1445.3**	**1492.1**	**1532.4**	**1431.3**	**1374.1**	**1452.6**	**1421.5**	**1566.5**	**1511.0**	**1577.7**	**1570.5**	**1566.5**	**1537.4**	**1654.7**	**1647.7**
Currency in circulation	963.3	927.4	922.8	951.1	982.2	976.4	1009.4	1067.1	1041.3	1072.1	1121.0	1151.4	1052.9	1002.4	1046.5	1082.2	1085.3	1080.8	1139.9	1176.7	1136.5	1158.8	1221.0	1323.7
Liabilities to other depository corporations	299.6	321.3	347.2	368.9	346.8	353.7	369.4	331.8	417.6	373.2	371.2	381.0	378.5	371.7	406.1	339.3	481.2	430.2	437.8	393.7	429.9	378.6	433.6	323.9
Reserve deposits	299.6	321.3	347.2	368.9	346.8	353.7	369.4	331.8	417.6	373.2	371.2	381.0	378.5	371.7	406.1	339.3	481.2	430.2	437.8	393.7	429.9	378.6	433.6	323.9
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits included in broad money	0.0	36.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	36.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	**4.0**	**4.3**	**2.1**	**3.2**	**3.3**	**2.8**	**1.9**	**4.2**	**4.0**	**4.4**	**3.9**	**4.9**	**10.3**	**4.4**	**2.3**	**11.7**	**9.1**	**14.7**	**19.0**	**4.3**	**4.7**	**5.6**	**4.1**	**10.8**
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	**661.2**	**666.1**	**676.0**	**719.9**	**889.8**	**979.2**	**947.5**	**1013.4**	**1153.5**	**1121.6**	**1039.9**	**997.9**	**1037.0**	**1083.1**	**1191.8**	**1124.3**	**1097.0**	**1075.1**	**1178.0**	**1203.0**	**1190.9**	**1025.1**	**1264.8**	**1272.4**
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	53.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	118.5	118.5	118.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and special reserves	228.0	281.6	261.6	261.6	246.6	246.6	246.6	246.6	246.6	246.6	246.6	246.6	246.6	246.6	246.6	312.8	302.8	302.8	302.8	302.8	302.8	302.8	302.8	302.8
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	327.5	324.4	345.7	379.1	553.4	633.7	589.0	643.8	772.7	727.6	634.4	586.6	612.9	636.1	728.7	686.5	659.3	626.4	702.3	701.8	677.0	503.5	727.6	719.0
Current year result	12.1	20.0	28.7	39.2	49.8	59.0	72.0	83.0	94.2	107.4	119.0	124.7	19.1	42.0	58.1	84.9	94.9	105.8	132.8	158.3	171.0	178.8	194.3	210.5
Other items (net)	**-138.3**	**-89.0**	**-138.3**	**-139.6**	**-136.2**	**-135.8**	**-136.2**	**-145.5**	**-149.6**	**-149.7**	**-150.8**	**-115.4**	**-158.6**	**-157.9**	**-156.5**	**-162.2**	**-160.2**	**-166.1**	**-171.4**	**-176.3**	**-156.8**	**-154.3**	**-154.5**	**-176.5**
Other liabilities	18.8	18.5	18.4	18.5	18.4	18.5	18.3	18.4	18.3	18.3	18.4	24.3	20.8	20.0	19.3	19.3	19.0	19.1	19.0	19.0	19.0	19.0	18.9	24.1
less: Other assets	-157.2	-107.5	-156.8	-158.1	-154.7	-154.2	-154.5	-163.9	-167.9	-168.0	-169.2	-139.7	-179.4	-177.9	-175.7	-181.5	-179.2	-185.2	-190.4	-195.3	-175.7	-173.3	-173.4	-200.6

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Table II.2 (a) Other depository corporations survey (end of period in N$ million)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Assets																								
Net foreign assets	**-1814.1**	**-2277.6**	**-1734.5**	**-1295.0**	**-1272.4**	**-1218.9**	**-1017.2**	**-767.8**	**825.0**	**1341.4**	**1130.5**	**1680.2**	**1262.6**	**1591.7**	**1198.5**	**2155.1**	**2368.3**	**864.5**	**1836.9**	**1977.4**	**1956.8**	**765.2**	**1432.4**	**717.8**
Claims on nonresidents	**297.7**	**261.5**	**914.6**	**1390.8**	**890.7**	**1029.3**	**1188.2**	**1061.1**	**1795.4**	**2427.2**	**2173.9**	**2742.2**	**2322.5**	**2549.6**	**2198.9**	**3096.4**	**3225.8**	**1877.2**	**2674.7**	**2887.9**	**2855.7**	**2190.9**	**2279.8**	**1708.4**
Foreign currency	51.6	40.4	65.4	46.6	64.5	59.0	64.2	48.9	52.0	56.8	56.9	52.4	55.4	80.6	53.7	68.2	57.4	65.0	114.4	108.0	84.8	89.7	114.2	111.4
Deposits	187.0	167.3	798.0	1299.7	782.2	924.7	1077.3	970.0	1700.0	2330.5	2075.8	2643.6	2220.4	2423.3	2004.4	2985.3	3124.2	1767.9	2511.0	2732.6	2722.2	2052.3	2113.8	1544.6
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	59.1	53.8	51.2	44.5	44.0	45.6	46.7	42.2	43.4	39.9	41.2	46.2	46.7	45.7	46.2	43.0	44.2	44.3	49.4	47.3	48.7	48.9	51.7	52.4
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	94.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
less: Liabilities to nonresidents	**-2111.8**	**-2539.1**	**-2649.1**	**-2685.9**	**-2163.1**	**-2248.3**	**-2205.4**	**-1828.9**	**-970.4**	**-1085.8**	**-1043.4**	**-1062.0**	**-1059.9**	**-957.8**	**-1000.5**	**-941.3**	**-857.5**	**-1012.8**	**-837.8**	**-910.5**	**-898.9**	**-1425.7**	**-847.4**	**-990.7**
Deposits	-1212.4	-1168.8	-1594.7	-1986.5	-1631.5	-1846.9	-1360.6	-1129.5	-588.0	-703.1	-515.0	-384.5	-256.0	-277.5	-332.8	-270.8	-184.9	-360.4	-181.8	-251.6	-228.5	-747.9	-185.8	-335.0
Securities other than share	0.0	0.0	0.0	-100.7	-101.4	-102.1	-100.7	-227.5	-164.6	-165.0	-165.4	-456.2	-459.0	-461.3	-455.0	-457.9	-459.9	-454.2	-457.8	-460.6	-455.0	-458.0	-441.7	-439.3
Loans	-899.4	-1370.3	-1054.3	-598.7	-430.3	-299.2	-744.1	-471.9	-217.9	-217.7	-363.0	-221.4	-344.9	-219.0	-212.7	-212.7	-212.7	-198.2	-198.2	-198.2	-215.4	-219.8	-219.8	-216.3
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	**596.2**	**584.2**	**588.0**	**480.5**	**644.2**	**587.1**	**632.8**	**816.9**	**671.9**	**666.2**	**649.0**	**747.0**	**717.9**	**627.0**	**654.9**	**646.5**	**782.1**	**696.2**	**736.4**	**669.9**	**651.9**	**730.7**	**783.4**	**841.6**
Currency	316.4	264.4	241.8	236.4	303.4	249.7	282.0	299.7	255.7	300.2	281.3	388.1	313.7	271.1	249.0	337.7	307.9	266.3	345.1	293.7	274.7	352.2	415.0	503.4
Reserve deposits	258.2	306.3	311.1	244.1	340.8	337.4	298.2	512.6	416.2	366.0	367.7	358.9	392.0	355.9	364.8	308.9	443.0	429.9	391.3	368.4	369.4	371.5	368.3	323.8
Other claims	21.5	13.4	35.0	0.0	0.0	0.0	52.5	4.5	0.0	0.0	0.0	0.0	12.1	0.0	41.1	0.0	31.1	0.0	0.0	7.8	7.8	7.0	0.0	14.4
Net claims on Central Government	**2029.2**	**1746.9**	**1931.3**	**1742.8**	**1817.0**	**1958.6**	**1858.3**	**1631.0**	**1949.7**	**2051.0**	**2115.0**	**2206.6**	**2196.6**	**2293.8**	**2474.6**	**2470.3**	**2359.9**	**2798.7**	**2836.5**	**2550.0**	**2512.9**	**2408.4**	**2373.7**	**2451.3**
Claims on Central Government	**2419.1**	**2155.8**	**2528.4**	**2426.7**	**2543.8**	**2661.9**	**2555.8**	**2563.6**	**2464.0**	**2578.7**	**2571.8**	**2767.3**	**2785.2**	**2914.4**	**3098.8**	**3099.4**	**3012.1**	**3270.2**	**3315.5**	**3026.9**	**3037.3**	**2995.6**	**3025.3**	**3101.3**
Securities other than Shares	2415.7	2153.1	2527.5	2425.6	2542.0	2660.3	2553.6	2561.1	2462.4	2577.5	2558.6	2750.0	2781.3	2905.3	3086.4	3094.7	2993.0	3262.3	3296.1	3019.7	3025.2	2983.5	3013.2	3088.7
Other claims	3.4	2.8	0.9	1.2	1.7	1.6	2.2	2.5	1.6	1.1	13.2	17.3	4.0	9.1	12.4	4.8	19.1	7.9	19.4	7.2	12.1	12.1	12.0	12.7
less: Liabilities to Central Government	**-389.9**	**-408.9**	**-597.1**	**-683.9**	**-726.8**	**-703.3**	**-697.4**	**-932.6**	**-514.3**	**-527.6**	**-456.8**	**-560.7**	**-588.6**	**-620.6**	**-624.2**	**-629.1**	**-652.2**	**-471.6**	**-479.0**	**-476.9**	**-524.4**	**-587.2**	**-651.6**	**-650.1**
Deposits	-350.2	-369.1	-543.5	-630.2	-673.1	-649.5	-643.7	-878.9	-463.2	-463.5	-392.6	-496.3	-524.1	-556.0	-556.9	-577.9	-601.0	-418.9	-426.3	-424.2	-471.7	-534.4	-598.8	-597.2
Other liabilities	-39.8	-39.8	-53.7	-53.7	-53.7	-53.7	-53.8	-53.8	-51.1	-64.1	-64.2	-64.4	-64.5	-64.5	-67.3	-51.2	-51.2	-52.7	-52.7	-52.7	-52.7	-52.8	-52.8	-52.9
Claims on other sectors	**24322.0**	**25031.7**	**25441.7**	**25972.5**	**26638.4**	**27037.8**	**27541.4**	**27767.7**	**27742.0**	**28175.7**	**28313.0**	**28268.4**	**28873.8**	**29431.8**	**29974.2**	**30024.4**	**30362.0**	**30670.0**	**30746.5**	**30982.0**	**31379.1**	**32512.6**	**32719.9**	**32338.6**
Other financial corporations	26.7	31.2	285.2	327.5	562.7	831.0	625.3	780.4	731.9	759.8	852.8	619.4	525.1	660.8	1017.3	942.4	1196.3	1067.7	983.6	1027.7	1193.1	1680.1	1544.9	1107.9
State and local government	28.3	32.1	28.7	29.5	31.9	25.0	20.8	23.5	31.3	37.6	40.0	48.2	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	288.0	285.4	393.2	394.4	415.6	404.9	403.0	395.2	204.0	198.4	168.1	180.0	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	8479.0	8964.2	8636.3	8889.5	9099.5	9033.6	9385.1	9356.7	9264.8	9499.8	9340.2	9373.7	9923.8	10005.8	9915.1	9953.5	9666.3	9878.0	9915.0	10188.6	10231.9	10598.2	10698.0	10672.6
Other resident sectors	15499.9	15718.7	16098.3	16331.7	16528.8	16743.3	17107.2	17211.9	17509.9	17680.1	17911.9	18047.1	18154.4	18441.1	18684.9	18805.1	19134.9	19282.0	19427.4	19610.3	19774.3	20007.5	20217.6	20282.2
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	0.0	0.0	0.0	0.0	0.0

This table consolidates the assets of the commercial banks and the other banking institutions.

Table II.2 (b) Other depository corporations survey (end of period in N$ million)

Liabilities

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Liabilities to central bank	323.2	169.4	157.6	393.8	290.1	430.6	795.8	1085.0	1230.0	1145.4	1193.0	1548.2	1848.0	1752.9	1939.6	2008.1	2000.8	1960.1	813.1	881.5	627.2	785.7	799.1	867.2
Deposits included in broad money	17149.5	17523.0	18060.7	18298.4	19028.7	19796.2	20221.4	19843.5	20719.0	21460.4	21771.9	21748.8	22525.1	22304.1	21786.1	22318.9	22724.6	21676.6	24049.7	24048.3	24833.4	24179.5	25387.8	23981.9
Transferable deposits	9213.5	9657.4	10751.9	10618.4	11228.6	11350.2	11727.2	11531.3	12063.8	13562.3	13412.6	12915.6	13817.6	13903.6	14029.4	14125.9	14162.6	12546.9	14865.8	15021.6	14373.4	14269.2	15193.5	13815.7
Other financial corporations	1647.5	1702.5	2294.6	1717.6	1817.0	2229.7	1712.7	1567.8	1461.0	1832.8	1934.3	1672.4	2039.7	2216.4	1888.5	1977.2	2035.4	2186.8	2688.9	2498.1	2506.7	2607.4	2907.1	2287.8
State and local government	189.8	162.0	168.8	192.2	178.2	193.7	200.4	223.2	215.3	225.0	191.2	189.1	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	409.0	456.4	649.0	677.7	696.6	733.0	593.7	561.0	781.9	964.3	1007.6	913.5	980.2	892.3	1234.7	953.1	620.5	487.0	403.9	463.0	539.6	738.2	856.9	637.9
Other nonfinancial corporations	4984.0	5214.8	5422.5	5708.9	6313.6	6034.2	6774.2	6703.1	6696.2	7635.4	7303.9	7027.7	7303.0	7978.1	8070.8	8266.9	8679.5	6943.7	8530.8	8710.8	8161.5	7876.7	8409.5	7671.6
Other resident sectors	1983.1	2121.7	2217.0	2322.0	2223.2	2159.7	2446.3	2476.2	2909.3	2904.7	2975.7	3113.0	3335.5	2650.0	2676.5	2753.0	2659.0	2652.1	2938.5	3015.0	2982.5	2846.8	2797.8	2982.1
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	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	7936.0	7865.6	7308.9	7679.9	7800.1	8446.0	8494.2	8312.2	8655.2	7898.1	8359.3	8833.3	8707.6	8400.5	7756.7	8193.0	8562.0	9129.7	9183.9	9026.7	10459.9	9910.3	10194.4	10166.1
Other financial corporations	218.8	135.4	317.1	409.4	394.4	391.9	472.5	724.1	334.2	344.8	297.9	367.1	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	112.2	116.3	168.1	175.4	183.6	177.7	147.7	160.3	141.6	160.8	166.0	198.8	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	566.5	676.5	833.6	773.8	768.2	687.7	867.4	880.9	398.4	274.1	248.6	564.3	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1159.4	1421.4	1333.7	1143.7
Other nonfinancial corporations	3361.4	3198.9	2933.7	3133.2	3229.8	3700.8	3675.2	3161.3	4314.4	3765.0	4088.7	4119.4	3624.1	4155.7	3524.0	3596.6	3528.9	4213.1	4250.7	4152.7	4545.9	4289.9	4328.7	4417.1
Other resident sectors	3677.1	3738.5	3056.4	3188.2	3212.2	3475.7	3319.2	3373.3	3443.2	3334.4	3543.6	3571.9	4039.2	3171.9	2960.0	3044.0	3220.0	3247.0	3201.1	3249.9	3853.1	3344.3	3482.4	3471.1
Unclassified	0.0	0.0	0.0	0.0	11.8	12.3	12.3	12.3	23.6	19.0	14.6	11.7	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	0.0	0.0	11.5	11.5	9.5	9.5	8.0	5.8	5.8	5.9	5.9	5.9	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	-234.6	-87.6	414.6	182.9	206.2	267.5	441.6	382.2	767.8	1069.0	854.1	1090.9	806.7	806.3	855.8	1499.2	1335.2	1293.0	1194.9	1053.2	964.2	1194.9	1232.5	1410.8
Securities other than shares, excluded from broad money	389.3	377.3	3913.8	4246.7	4181.9	3967.9	3864.9	3905.5	4018.8	4080.4	4108.6	4076.9	3323.1	4543.3	4957.7	5061.9	4938.1	5135.5	5314.3	5441.4	5265.3	5079.8	4924.9	4986.0
Of which: Other financial corporations	20.1	20.1	3399.7	4115.7	4050.8	3726.0	3334.7	3362.9	3463.9	3112.2	3152.0	3103.3	2374.4	3586.4	3737.2	3841.0	3825.2	4017.1	4218.9	4337.4	4129.1	4367.6	4215.4	4216.5
Loans	2866.2	2696.4	5.2	5.6	5.2	5.6	5.6	5.7	5.6	2.2	5.3	5.3	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	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	84.1	0.0	0.0	163.0	41.6	85.7	23.4	30.6	130.9	26.4	66.7	93.2	22.6	65.0	75.7
Shares and other equity	4203.0	4277.0	4164.7	4254.7	4320.3	4300.7	4313.6	4289.9	4265.0	4344.1	4368.6	4355.3	4461.0	4509.4	4279.1	4250.7	4422.4	4634.5	4691.4	4630.2	4623.3	4903.7	4613.0	4800.6
Funds contributed by owners	278.5	278.5	278.5	278.5	278.5	278.5	278.5	278.5	278.5	278.5	279.4	279.4	279.4	279.4	279.4	279.4	279.4	429.4	429.4	429.4	429.4	429.4	429.4	579.4
Retained earnings	143.5	162.8	1227.0	1232.7	1248.7	1221.0	1117.7	1162.3	1154.9	1145.7	1181.7	1176.3	1218.3	1261.9	1258.4	1288.4	1288.8	1319.8	1318.7	1317.7	1319.1	1316.8	1318.5	1319.0
General and special reserves	3696.5	3741.3	2512.6	2538.2	2564.4	2614.1	2711.1	2717.5	2693.4	2721.4	2655.3	2687.3	2723.0	2750.5	2472.8	2498.7	2516.3	2541.7	2669.2	2700.4	2730.5	2771.1	2747.6	2746.2
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	0.0	0.0	0.0	0.0	0.0	0.0
Current Year Result	84.6	94.3	146.7	205.3	228.7	187.1	206.4	131.6	138.2	198.5	252.3	212.4	240.2	217.6	268.6	184.1	338.0	343.6	274.1	182.8	144.3	386.3	117.5	155.9
Other items (net)	427.2	129.7	-501.7	-492.7	-214.6	-413.4	-635.6	-69.8	176.6	43.0	-100.0	70.8	-87.3	-24.3	386.9	123.0	309.4	187.7	55.8	47.2	83.4	237.8	274.0	213.9
Other liabilities	1369.7	1365.4	1347.1	1322.0	1391.1	1516.3	1498.1	1683.0	1827.6	1696.9	2125.2	1966.7	1826.8	2227.3	1948.4	2032.3	2223.1	1904.7	1943.4	1898.6	2145.8	1913.7	2103.3	2380.6
less: Other assets	-1803.2	-2114.0	-1839.9	-1815.9	-1592.9	-1898.2	-2132.8	-1754.5	-1651.0	-1569.8	-2143.1	-1806.8	-1829.1	-2170.4	-1480.7	-1820.9	-1825.4	-1633.0	-1804.4	-1850.8	-2062.4	-1677.7	-1829.5	-2165.4
plus: Consolidation adjustment	860.7	878.3	-8.9	1.3	-12.7	-31.5	-0.9	1.8	0.0	0.0	2.0	-4.9	-0.9	2.8	3.3	-4.3	-4.2	-16.0	0.9	-0.6	0.0	1.9	0.2	-1.3

This table consolidates the liabilities of the commercial banks and the other banking institutions.

E

Table II.3 Depository corporations survey (end of period N$ million)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	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	891.4	418.4	723.3	1834.6	1700.7	1459.0	2295.9	1993.0	3944.3	5445.8	4625.8	4844.5	6128.2	6058.1	6888.5	8415.2	8023.0	6949.8	9292.8	8336.5	7825.5	7265.1	7689.4	6834.0
Claims on nonresidents	3016.0	2969.9	3384.6	4532.8	3877.3	3717.6	4511.2	4191.8	5312.4	6922.4	6051.6	6315.8	7611.1	7425.1	8293.6	9755.0	9280.4	8362.7	10562.3	9310.4	8803.0	8752.5	8600.5	7881.4
less: Liabilities to nonresidents	-2124.5	-2551.5	-2661.3	-2698.2	-2176.6	-2258.6	-2215.3	-2198.8	-1368.2	-1476.6	-1425.8	-1471.3	-1482.9	-1367.0	-1405.2	-1339.8	-1257.4	-1412.9	-1269.5	-973.9	-977.5	-1487.5	-911.0	-1047.4
Domestic claims	25156.9	25823.4	26543.4	25816.3	26945.7	27661.9	27185.6	27881.6	27940.1	27512.2	28337.1	28397.5	26689.8	27615.7	27310.2	26625.3	27610.3	27793.4	28172.3	29305.6	30299.6	30463.3	30969.1	30212.1
Net claims on Central Government	820.9	778.0	1088.2	-169.3	293.7	610.4	-369.4	100.0	183.6	-678.6	8.4	113.3	-2199.5	-1831.5	-2680.4	-3415.1	-2735.5	-2892.5	-2590.3	-1693.0	-1095.7	-2065.6	-1767.5	-2143.9
Claims on Central Government	2419.1	2155.8	2528.4	2426.7	2543.8	2661.9	2555.8	2563.6	2464.0	2578.7	2571.8	2767.3	2785.2	2914.4	3098.8	3099.4	3012.1	3270.2	3315.5	3026.9	3037.3	2995.6	3025.3	3101.3
less: Liabilities to Central Government	-1598.2	-1377.8	-1440.3	-2596.0	-2250.1	-2051.4	-2925.1	-2463.6	-2280.4	-3257.3	-2563.4	-2654.0	-4984.8	-4745.9	-5779.3	-6514.6	-5747.6	-6162.7	-5905.7	-4719.9	-4133.0	-5061.2	-4792.8	-5245.2
Claims on other sectors	24336.0	25045.4	25455.3	25985.6	26652.0	27051.4	27555.0	27781.6	27756.5	28190.8	28328.7	28284.2	28889.3	29447.2	29990.7	30040.4	30345.8	30685.8	30762.6	30998.6	31395.3	32528.8	32736.7	32355.9
Other financial corporations	26.7	31.2	285.2	327.5	562.7	831.0	625.3	780.4	731.9	759.8	852.8	619.4	525.1	660.8	1017.3	942.4	1196.3	1067.7	983.6	1027.7	1193.1	1680.1	1544.9	1107.9
State and local government	28.3	32.1	28.7	29.5	31.9	25.0	20.8	23.5	31.3	37.6	40.0	48.2	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	288.0	285.4	393.2	394.4	415.6	404.9	403.0	395.2	204.0	198.4	168.1	180.0	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	8479.0	8964.2	8636.3	8889.5	9099.5	9033.6	9385.1	9356.7	9264.8	9499.8	9340.2	9373.7	9923.8	10005.8	9915.1	9953.5	9666.3	9878.0	9915.0	10188.6	10231.9	10598.2	10698.0	10672.6
Other resident sectors	15513.9	15732.4	16111.9	16344.7	16542.3	16757.0	17120.8	17225.9	17524.4	17695.2	17927.7	18062.9	18169.9	18456.5	18701.3	18821.1	19118.7	19297.9	19443.4	19626.9	19790.5	20023.7	20234.3	20299.6
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	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	17796.4	18222.2	18754.2	19132.8	19717.0	20548.8	20973.0	20629.4	21511.9	22238.1	22617.5	22540.2	23244.6	23054.5	22589.7	23069.5	23499.5	22497.2	24854.5	24937.4	25701.2	24992.1	26200.2	24808.3
Currency outside depository corporations	646.9	663.0	681.0	714.6	678.8	726.7	727.4	767.4	785.6	772.0	839.7	763.4	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	9213.5	9693.6	10752.9	10726.7	11228.7	11366.5	11743.4	11544.1	12065.2	13562.1	13412.7	12937.7	13791.9	13916.8	14029.6	14126.1	14154.3	12547.1	14869.9	15021.7	14373.6	14269.3	15193.9	13815.9
Other financial corporations	9213.5	1702.5	2294.6	1717.6	1817.0	2229.7	1712.7	1567.8	1461.0	1832.8	1934.3	1672.4	2039.7	2216.4	1888.5	1977.2	2035.4	2186.8	2688.9	2498.1	2506.7	2607.4	2907.1	2287.8
State and local government	1647.5	162.0	168.8	192.2	178.2	193.7	200.4	223.2	215.3	225.0	191.2	189.1	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	189.8	546.3	649.0	677.7	696.6	733.0	593.7	561.0	781.9	964.3	1007.6	913.5	980.2	892.3	1234.7	953.1	605.2	487.0	403.9	463.0	539.6	738.2	856.9	637.9
Other nonfinancial corporations	409.0	5233.1	5422.5	5708.9	6313.6	6034.2	6774.2	6703.1	6696.2	7635.4	7303.9	7027.7	7303.0	7978.1	8070.8	8266.9	8679.6	6943.7	8530.8	8710.8	8161.5	7876.7	8409.5	7671.6
Other resident sectors	4984.0	2158.0	2217.0	2322.0	2223.2	2159.7	2446.3	2476.2	2909.4	2904.7	2975.7	3113.0	3335.5	2650.0	2676.5	2753.0	2658.9	2652.1	2938.5	3015.0	2982.5	2846.8	2797.8	2982.1
Unclassified	1983.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.1	1.0	108.3	0.1	16.3	16.2	12.7	1.4	-0.1	0.1	22.1	-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	7936.0	7000.6	7308.9	7679.9	7800.1	8446.0	8494.2	8312.2	8655.2	7898.1	8359.3	8833.3	8707.6	8400.5	7756.7	8193.0	8562.0	9129.7	9183.9	9026.7	10459.9	9910.3	10194.4	10166.1
Other financial corporations	7936.0	264.3	317.1	409.4	394.4	391.9	472.5	724.1	334.2	344.8	297.9	367.1	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	218.8	190.8	168.1	175.4	183.6	177.7	147.7	160.3	141.6	160.8	166.0	198.8	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	112.2	848.2	833.6	773.8	768.2	687.7	867.4	880.9	398.4	274.1	248.6	564.3	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1159.4	1421.4	1333.7	1143.7
Other nonfinancial corporations	566.5	2664.9	2933.7	3133.2	3229.8	3700.8	3675.2	3161.3	4314.4	3765.0	4088.7	4119.4	3624.1	4155.7	3524.0	3596.6	3528.9	4213.1	4250.7	4152.7	4545.9	4289.9	4328.7	4417.1
Other resident sectors	3361.4	3029.0	3056.4	3188.2	3212.2	3475.7	3319.2	3373.3	3443.2	3334.4	3543.6	3571.9	4039.2	3171.9	2960.0	3044.0	3220.0	3247.0	3201.1	3249.9	3853.1	3344.3	3482.4	3471.1
Unclassified	3677.1	3.3	0.0	0.0	11.8	12.3	12.3	12.3	23.6	19.0	14.6	11.7	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	0.0	11.7	11.5	11.5	9.5	9.5	8.0	5.8	5.8	5.9	5.9	5.9	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	0.0	300.8	414.6	182.9	206.2	267.5	441.6	382.2	767.8	1069.0	854.1	1090.9	806.7	806.3	855.8	1499.2	1335.2	1293.0	1194.9	1053.2	964.2	1194.9	1232.5	1410.8
Securities other than shares, excluded from broad money	-234.6	3750.0	3913.8	4246.7	4181.9	3967.9	3864.9	3905.5	4018.8	4080.4	4108.6	4076.9	3323.1	4543.3	4957.7	5061.9	4938.1	5135.5	5314.3	5441.4	5265.3	5079.8	4924.9	4986.0
Loans	389.3	5.5	5.2	5.6	5.2	5.6	5.6	5.7	5.6	2.2	5.3	5.3	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	2866.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	4.3	2.1	3.2	3.3	2.8	1.9	4.2	4.0	88.5	3.9	4.9	173.3	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	4.0	5004.7	4840.8	4974.5	5210.1	5279.9	5261.1	5303.3	5418.4	5465.7	5408.6	5353.2	5498.0	5592.5	5470.9	5374.9	5667.5	5709.5	5869.4	5833.2	5814.2	5928.8	5877.8	6073.0
Other items (net)	4864.2	619.5	-664.0	-894.8	-677.3	-951.7	-1066.6	-355.6	157.8	14.1	-35.2	170.6	-233.0	-374.2	231.3	-5.5	147.9	-42.8	181.9	301.0	277.4	497.6	347.2	-325.7
Other liabilities (includes central bank float)	362.8	1497.9	1364.5	1232.1	1409.5	1518.5	1500.3	1688.6	1844.5	1715.3	2143.4	1968.9	1873.3	2234.2	1967.5	2051.4	2229.4	1939.6	1958.3	1917.4	2164.6	1932.5	2121.9	2404.5
less: Other assets	1388.5	-2233.7	-1996.7	-1974.0	-1747.6	-2052.4	-2287.4	-1918.4	-1819.0	-1821.9	-2396.3	-2030.6	-2092.5	-2432.4	-1740.5	-2086.5	-2091.1	-1902.2	-2078.9	-2046.0	-2238.1	-1851.0	-2002.9	-2365.9
plus: Consolidation adjustment	-1950.9	1355.3	-31.9	-153.0	-339.1	-417.7	-279.5	-125.8	132.3	120.7	217.7	232.3	-13.7	-175.9	4.3	29.6	9.6	-80.2	302.5	429.6	350.9	416.1	228.2	-364.3
Memoranda: Central bank float	0.0	-0.1	-1.0	-108.3	-0.1	-16.3	-16.2	-12.7	-1.4	0.1	-0.1	-22.1	25.7	-13.2	-0.2	-0.2	-7.1	-0.2	-4.1	-0.2	-0.1	-0.1	-0.4	-0.1

This table is synonym to the Banking Survey in the old framework.
Consolidates the accounts of the ODCs (Central Bank, Commercial Banks and the Other Banking Institutions).

Table II.4 Other depository corporations claims on domestic sectors (end period in N$ million)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Loans	24282.0	24982.9	25190.8	25670.8	26100.9	26198.1	26912.0	27001.9	27069.9	27492.0	27551.2	27750.0
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
Other depository corporations	0.0	0.0	159.6	158.3	160.3	128.6	130.3	151.0	133.6	148.2	149.9	151.9
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
Central Government	3.4	2.8	0.9	1.2	1.7	1.6	2.2	2.5	1.6	1.1	13.2	17.3
State and local government	28.3	32.1	28.7	29.5	31.9	25.0	20.8	23.5	31.3	37.6	40.0	48.2
Public nonfinancial corporations	283.7	283.5	289.4	290.6	311.8	301.1	299.2	291.4	100.2	100.2	69.9	81.8
Other nonfinancial corporations (Businesses)	8407.5	8891.9	8563.1	8816.2	9024.5	8957.7	9311.8	9283.3	9251.6	9486.6	9326.9	9360.2
Loans and Advances	6563.5	7024.1	6728.9	6953.2	7135.2	7127.9	7455.5	7410.0	7201.7	7439.3	7231.5	7255.6
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
Other mortgage loans	689.7	692.5	746.3	755.4	743.7	746.3	786.4	827.0	1459.2	1289.2	1650.5	1662.5
Dwellings	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	689.7	692.5	746.3	755.4	743.7	746.3	786.4	827.0	1459.2	1289.2	1650.5	1662.5
Overdrafts	3413.3	3833.3	3551.3	3682.9	3873.8	3842.7	4017.2	3989.2	3680.4	3778.2	3449.3	3422.7
Other loans and advances	2460.4	2498.4	2431.3	2514.9	2517.7	2538.9	2651.9	2593.8	2062.2	2371.8	2131.7	2170.4
Leasing	39.5	39.2	40.2	40.6	40.3	39.9	41.2	40.7	40.8	41.0	39.7	35.3
Instalment credit	1027.6	1049.3	1077.1	1084.0	1099.1	1106.6	1117.0	1122.0	1299.6	1307.7	1331.6	1346.8
Other	776.8	779.4	717.0	738.4	749.9	683.3	698.1	710.5	709.5	698.7	724.0	722.5
Other resident sectors (Individuals)	15499.9	15718.7	16097.9	16330.6	16526.5	16738.6	17101.0	17208.1	17508.2	17678.3	17910.1	18044.3
Loans and Advances	12234.6	12378.5	12699.0	12904.3	13044.8	13245.2	13556.9	13606.1	14069.4	14172.2	14353.1	14464.2
Farm mortgage loans	709.5	706.7	672.1	718.3	752.1	720.6	719.1	720.7	719.1	701.8	701.8	716.6
Other mortgage loans	9242.6	9329.3	9586.1	9772.5	9868.2	10026.4	10281.1	10328.0	10513.3	10592.4	10811.1	10935.2
Dwellings	8824.9	8908.6	9586.1	9772.5	9868.2	10026.4	10281.1	10328.0	10513.3	10592.4	10811.1	10935.2
Other	417.7	420.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdrafts	1016.8	1048.4	1070.0	1062.5	1098.5	1130.0	1144.2	1167.8	1122.3	1147.7	1057.7	1026.5
Other loans and advances	1265.7	1294.1	1370.8	1351.1	1325.9	1368.3	1412.4	1389.5	1714.7	1730.4	1782.5	1785.9
Leasing	59.3	60.8	59.8	59.5	60.0	59.2	63.7	65.9	67.2	75.2	73.3	72.9
Instalment credit	2895.6	2965.0	3022.5	3043.6	3098.0	3108.2	3150.3	3202.9	3035.8	3100.4	3147.2	3165.3
Other	310.4	314.4	316.6	323.1	323.7	326.0	330.2	333.2	335.7	330.5	336.5	341.9
Nonresidents	59.1	53.8	51.2	44.5	44.0	45.6	46.7	42.2	43.4	39.9	41.2	46.2
Loans and Advances	59.1	53.8	51.2	44.5	44.0	45.6	46.7	42.2	43.4	39.9	41.2	46.2
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
Other mortgage loans	38.1	49.8	47.2	26.4	28.8	29.2	31.7	26.9	27.8	24.1	25.2	30.0
Dwellings	0.0	36.1	31.7	0.0	28.8	29.2	31.7	26.9	27.8	24.1	25.2	30.0
Other	38.1	13.8	15.5	26.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdrafts	16.9	0.0	0.0	14.3	11.5	12.5	11.2	11.9	12.2	12.4	12.8	13.1
Other loans and advances	4.1	4.0	4.0	3.8	3.8	3.8	3.8	3.5	3.5	3.4	3.2	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
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
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

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Loans	28442.3	28869.8	29068.7	29229.3	29287.9	29745.6	30066.3	30155.5	30522.7	31055.8	31402.2	31298.1
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
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
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
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
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	128.7	166.2	234.7	231.0	259.7	352.0	316.4	101.6	130.8	204.2	229.3	229.6
Other nonfinancial corporations (Businesses)	9912.9	9994.8	9903.9	9942.2	9654.9	9866.5	9906.1	10179.5	10222.7	10589.0	10688.6	10663.1
Loans and Advances	7744.6	7812.4	7754.3	7728.2	7427.8	7686.5	7659.6	7944.9	8079.0	8523.3	8534.7	8489.8
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
Other mortgage loans	1696.7	1701.4	1845.4	1886.1	1882.7	1939.2	1651.4	1638.7	1595.2	1589.9	1629.8	1654.7
Dwellings	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	1696.7	1701.4	1845.4	1886.1	1882.7	1939.2	1651.4	1638.7	1595.2	1589.9	1629.8	1654.7
Overdrafts	3725.5	3670.3	3551.1	3398.5	3319.1	3274.9	3699.3	3817.4	3836.0	4125.3	4055.2	3840.5
Other loans and advances	2322.4	2440.7	2357.8	2443.6	2226.0	2472.5	2308.9	2488.8	2647.8	2808.1	2849.7	2994.6
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
Instalment credit	1416.5	1429.6	1386.5	1417.8	1425.9	1378.6	1441.5	1445.6	1353.3	1278.9	1295.6	1311.0
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
Other resident sectors (Individuals)	18152.8	18439.2	18684.9	18805.1	19102.7	19280.7	19425.7	19608.6	19772.6	20005.8	20215.9	20280.5
Loans and Advances	14635.9	14934.2	15145.6	15243.5	15517.1	15617.5	15758.3	15935.9	16055.5	16202.0	16314.0	16454.6
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	0.0
Other mortgage loans	11021.3	11323.2	11456.4	11595.9	11797.9	11886.7	11991.1	12122.8	12407.2	12516.7	12692.5	12807.7
Dwellings	11021.3	11323.2	11456.4	11595.9	11797.9	11886.7	11991.1	12122.8	12407.2	12516.7	12692.5	12807.7
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
Overdrafts	1096.6	1095.2	1114.2	1092.0	1189.9	1097.4	1135.2	1152.3	1093.0	1135.1	1055.8	1076.4
Other loans and advances	1801.3	1799.2	1858.4	1839.0	1805.8	1908.5	1907.2	1936.0	1830.4	1825.4	1840.9	2570.5
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
Instalment credit	3101.6	3087.0	3116.6	3135.8	3153.3	3228.3	3231.0	3238.5	3280.4	3362.5	3343.5	3373.8
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
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
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
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
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
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
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
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
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
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
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
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

This table is synonym to the Claims on the Private sector credit by the Banking System in the old framework.

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Table II.5 Other depository corporations' deposits (end period in N$ million)

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total Deposits	19673.2	19970.2	20895.8	21831.0	22137.2	23354.0	23884.6	23599.2	24042.4	25163.2	25166.9	25578.8	26340.5	26067.5	25819.7	27128.5	27632.6	26133.5	27165.1	27106.2	27476.7	27945.8	28802.4	27498.8
Deposits included in broad money	16402.3	16766.3	18060.7	18298.4	19028.7	19796.2	20221.4	19843.5	20719.0	21460.4	21771.9	21748.8	22525.1	22304.1	21786.1	22318.9	22724.6	21676.6	24049.7	24048.3	24833.4	24179.5	25387.8	23981.9
Transferable deposits	9322.8	9765.8	10751.9	10618.4	11228.6	11350.2	11727.2	11531.3	12063.8	13562.3	13412.6	12915.6	13817.6	13903.6	14029.4	14125.9	14162.6	12546.9	14865.8	15021.6	14373.4	14269.2	15193.5	13815.7
In national currency	9322.8	9765.8	10751.9	10618.4	11228.6	11350.2	11727.2	11531.3	12063.8	13562.3	13412.6	12915.6	13817.6	13903.6	14029.4	14125.9	14162.6	12546.9	14865.8	15021.6	14373.4	14269.2	15193.5	13815.7
Other financial corporations	1647.5	1702.5	2294.6	1717.6	1817.0	2229.7	1712.7	1567.8	1461.0	1832.8	1934.3	1672.4	2039.7	2216.4	1888.5	1977.2	2035.4	2186.8	2688.9	2498.1	2506.7	2607.4	2907.1	2287.8
State and local government	189.8	162.0	168.8	192.2	178.2	193.7	200.4	223.2	215.3	225.0	191.2	189.1	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	530.3	546.3	649.0	677.7	696.6	733.0	593.7	561.0	781.9	964.3	1007.6	913.5	980.2	892.3	1234.7	953.1	620.5	487.0	403.9	463.0	539.6	738.2	856.9	637.9
Other nonfinancial corporations	4972.1	5233.1	5422.5	5708.9	6313.6	6034.2	6774.2	6703.1	6696.2	7635.4	7303.9	7027.7	7303.0	7978.1	8070.8	8266.9	8679.5	6943.7	8530.8	8710.8	8161.5	7876.7	8409.5	7671.6
Other resident sectors	1983.1	2121.8	2217.0	2322.0	2223.2	2159.7	2446.3	2476.2	2909.3	2904.7	2975.7	3113.0	3335.5	2650.0	2676.5	2753.0	2659.0	2652.1	2938.5	3015.0	2982.5	2846.8	2797.8	2982.1
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	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits	7079.5	7000.6	7308.9	7679.9	7800.1	8446.0	8494.2	8312.2	8655.2	7898.1	8359.3	8833.3	8707.6	8400.5	7756.7	8193.0	8562.0	9129.7	9183.9	9026.7	10459.9	9910.3	10194.4	10166.1
In national currency	7079.5	7000.6	7308.9	7679.9	7800.1	8446.0	8494.2	8312.2	8655.2	7898.1	8359.3	8833.3	8707.6	8400.5	7756.7	8193.0	8562.0	9129.7	9183.9	9026.7	10459.9	9910.3	10194.4	10166.1
Other financial corporations	332.5	264.3	317.1	409.4	394.4	391.9	472.5	724.1	334.2	344.8	297.9	367.1	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	160.8	166.0	198.8	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	690.3	848.2	833.6	773.8	768.2	687.7	867.4	880.9	398.4	274.1	248.6	564.3	386.5	382.1	369.8	517.3	685.1	735.2	786.9	808.7	1159.4	1421.4	1333.7	1143.7
Other nonfinancial corporations	2842.2	2664.9	2933.7	3133.2	3229.8	3700.8	3675.2	3161.3	4314.4	3765.0	4088.7	4119.4	3624.1	4155.7	3524.0	3596.6	3528.9	4213.1	4250.7	4152.7	4545.9	4289.9	4328.7	4417.1
Other resident sectors	3025.7	3029.0	3056.4	3188.2	3212.2	3475.7	3319.2	3373.3	3443.2	3334.4	3543.6	3571.9	4039.2	3171.9	2960.0	3044.0	3220.0	3247.0	3201.1	3249.9	3853.1	3344.3	3482.4	3471.1
Unclassified	11.6	3.3	0.0	0.0	11.8	12.3	12.3	12.3	23.6	19.0	14.6	11.7	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2
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	11.6	3.3	0.0	0.0	11.8	12.3	12.3	12.3	23.6	19.0	14.6	11.7	17.5	29.3	29.3	24.3	25.5	24.3	24.3	24.6	24.6	24.7	17.2	17.2
Deposits excluded from broad money	3270.9	3203.9	2835.1	3532.6	3108.5	3557.8	3663.3	3755.7	3323.4	3702.8	3395.0	3830.0	3815.3	3763.4	4033.6	4809.6	4908.0	4457.0	3115.3	3057.9	2643.4	3766.4	3414.6	3516.9
Transferable deposits	1645.6	1509.8	1436.3	1617.2	1469.6	1967.8	1946.2	2026.4	1827.7	1995.1	1820.9	1625.5	1623.9	1830.4	2290.2	2995.7	3168.4	2638.7	1785.9	1556.7	1473.1	2182.0	1956.1	1879.6
In national currency	1294.9	1170.0	1014.2	1424.6	1257.3	1462.9	1495.9	1636.0	1337.3	1393.1	1159.1	1129.3	1127.4	1399.4	1623.4	1770.2	2031.2	1655.8	952.6	930.8	806.8	1291.5	1034.0	933.8
In foreign currency	350.7	339.8	422.0	192.6	212.4	504.9	450.2	390.4	490.4	602.0	661.8	496.2	496.5	431.1	666.8	1225.4	1137.1	982.8	833.3	625.9	666.3	890.6	922.1	945.8
Other deposits	1625.4	1694.1	1398.8	1915.4	1638.9	1590.0	1717.1	1729.3	1495.6	1707.7	1574.1	2204.4	2191.5	1932.9	1743.4	1814.0	1739.7	1818.3	1329.4	1501.2	1170.3	1584.3	1458.5	1637.3
In national currency	1160.5	1256.1	981.9	1508.2	1564.3	1478.1	1669.6	1679.1	1441.8	1494.4	1346.0	1837.6	2174.5	1920.4	1715.5	1795.5	1724.3	1624.9	1299.1	1405.8	1141.2	1421.1	1429.0	1356.5
In foreign currency	464.9	437.9	416.9	407.2	74.6	111.8	47.5	50.2	53.8	213.3	228.1	366.8	17.0	12.5	27.9	18.5	15.4	193.4	30.3	95.4	29.1	163.2	29.5	280.8

This table consolidates the deposits of the Commercial Banks and the Other Banking Institutions.

Table II.6 Monetary aggregates (N$ million)

		Currency in circulation 1	Transferable deposits 2	Narrow money (M1) 3 1+2 = 3	Other deposits 4	Securities included in M2 5	Broad money supply (M2) 6 3+4+5=6
2004		**632.7**	**8937.1**	**9569.8**	**6259.1**	**0.0**	**15828.9**
2005		**680.0**	**8728.8**	**9408.9**	**7961.4**	**0.0**	**17370.2**
2006		**763.4**	**12937.7**	**13701.0**	**8833.3**	**5.9**	**22540.2**
2004	**Jan**	**587.4**	**7495.7**	**8083.2**	**5854.9**	**0.0**	**13938.1**
	Feb	604.0	8016.6	8620.6	5930.8	0.0	14551.4
	Mar	574.8	8153.9	8728.7	6079.1	0.0	14807.8
	Apr	644.2	8408.3	9052.6	5754.4	0.0	14806.9
	May	609.4	8225.9	8835.3	5812.7	0.0	14648.0
	Jun	606.1	7993.1	8599.2	5811.0	0.0	14410.2
	Jul	646.4	7917.0	8563.4	6263.1	0.0	14826.5
	Aug	625.6	8723.2	9348.8	6241.5	0.0	15590.3
	Sep	631.5	8697.3	9328.8	6484.7	0.0	15813.5
	Oct	667.0	9233.5	9900.5	6568.5	0.0	16469.1
	Nov	669.6	9236.0	9905.6	6729.7	0.0	16635.3
	Dec	632.7	8937.1	9569.8	6259.1	0.0	15828.9
2005	**Jan**	**619.3**	**8050.4**	**8669.7**	**7009.1**	**0.0**	**15678.8**
	Feb	639.0	8146.2	8785.2	7547.8	0.0	16333.0
	Mar	628.8	8462.7	9091.5	7396.2	0.0	16487.7
	Apr	696.5	8738.8	9435.4	7563.9	0.0	16999.2
	May	676.9	9092.7	9769.6	7152.7	0.0	16922.3
	Jun	656.3	9068.5	9724.8	7465.7	0.0	17190.4
	Jul	711.6	9368.5	10080.0	7493.6	0.0	17573.6
	Aug	683.2	9322.5	10005.7	7413.5	0.0	17419.2
	Sep	697.8	8976.4	9674.2	7391.3	0.0	17065.4
	Oct	668.5	9063.7	9732.3	7589.7	0.0	17322.0
	Nov	706.1	8882.0	9588.1	7879.5	0.0	17467.6
	Dec	680.0	8728.8	9408.9	7961.4	0.0	17370.2
2006	**Jan**	**646.9**	**9213.5**	**9860.4**	**7936.0**	**0.0**	**17796.4**
	Feb	663.0	9693.6	10356.6	7000.6	11.7	17368.8
	Mar	681.0	10752.9	11433.9	7308.9	11.5	18754.2
	Apr	714.6	10726.7	11441.3	7679.9	11.5	19132.8
	May	678.8	11228.7	11907.5	7800.1	9.5	19717.0
	Jun	726.7	11366.5	12093.2	8446.0	9.5	20548.8
	Jul	727.4	11743.4	12470.8	8494.2	8.0	20973.0
	Aug	767.4	11544.1	12311.4	8312.2	5.8	20629.4
	Sep	785.6	12065.2	12850.9	8655.2	5.8	21511.9
	Oct	772.0	13562.1	14334.1	7898.1	5.9	22238.1
	Nov	839.7	13412.7	14252.4	8359.3	5.9	22617.5
	Dec	763.4	12937.7	13701.0	8833.3	5.9	22540.2
2007	**Jan**	**739.1**	**13791.9**	**14531.1**	**8707.6**	**5.9**	**23244.6**
	Feb	731.3	13916.8	14648.1	8400.5	5.9	23054.5
	Mar	797.4	14029.6	14827.1	7756.7	5.9	22589.7
	Apr	744.5	14126.1	14870.6	8193.0	5.9	23069.5
	May	777.4	14154.3	14931.6	8562.0	5.9	23499.5
	Jun	814.5	12547.1	13361.6	9129.7	5.9	22497.2
	Jul	794.8	14869.9	15664.7	9183.9	5.9	24854.5
	Aug	883.1	15021.7	15904.8	9026.7	5.9	24937.4
	Sep	861.8	14373.6	15235.4	10459.9	5.9	25701.2
	Oct	806.5	14269.3	15075.9	9910.3	6.0	24992.1
	Nov	806.0	15193.9	15999.9	10194.4	6.0	26200.2
	Dec	820.3	13815.9	14636.2	10166.1	6.0	24808.3

Table II.7 Monetary analysis (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		
2005	**Jan**	**15678.7**	**1350.0**	**2003.7**	**1847.6**	**84.8**	**71.4**	**20651.9**	**-6394.5**
	Feb	16333.0	1614.9	2136.8	1570.9	84.8	481.1	20776.6	-6539.7
	Mar	16487.7	1576.5	2164.3	1310.2	39.8	814.4	21221.2	-7124.3
	Apr	16999.2	1095.7	1876.1	1202.8	39.8	633.6	21649.4	-6379.4
	May	16922.3	273.1	1920.2	913.0	39.8	967.5	22063.9	-6382.2
	Jun	17190.4	94.8	2203.0	767.7	39.8	1395.5	22113.8	-6413.7
	Jul	17573.6	742.8	2094.1	1222.0	39.8	832.3	22570.8	-6572.3
	Aug	17419.2	490.6	2113.7	921.5	39.8	1152.4	22851.4	-7075.3
	Sep	17065.4	-66.4	2082.5	708.6	39.8	1334.2	23089.8	-7292.1
	Oct	17322.0	700.0	2079.7	1185.7	39.8	854.2	23329.4	-7561.6
	Nov	17467.6	337.9	2007.4	871.3	39.8	1096.3	23781.4	-7748.1
	Dec	17370.2	-156.3	2586.1	1140.6	39.8	1405.7	24264.4	-8143.6
2006	**Jan**	**17796.4**	**891.4**	**2419.1**	**1558.4**	**39.8**	**820.9**	**24336.0**	**-8251.9**
	Feb	17368.8	418.4	2155.8	1338.1	39.8	778.0	25045.4	-8872.9
	Mar	18754.2	723.3	2528.4	1386.6	53.7	1088.2	25455.3	-8512.5
	Apr	19132.8	1834.6	2426.7	2542.3	53.7	-169.3	25985.6	-8518.2
	May	19717.0	1700.7	2543.8	2196.4	53.7	293.7	26652.0	-8929.3
	Jun	20548.8	1459.0	2661.9	1997.7	53.7	610.4	27051.4	-8572.1
	Jul	20973.0	2295.9	2555.8	2871.4	53.8	-369.4	27555.0	-8508.6
	Aug	20629.4	1993.0	2563.6	2409.8	53.8	100.0	27781.6	-9245.2
	Sep	21511.9	3944.3	2464.0	2229.3	51.1	183.6	27756.5	-10372.4
	Oct	22238.1	5445.8	2578.7	3193.1	64.1	-678.6	28190.8	-10719.9
	Nov	22617.5	4625.8	2571.8	2499.2	64.2	8.4	28328.7	-10345.4
	Dec	22540.2	4844.5	2767.3	2589.6	64.4	113.3	28284.2	-10701.8
2007	**Jan**	**23244.6**	**6128.2**	**2785.2**	**4920.3**	**64.5**	**-2199.5**	**28889.3**	**-9573.4**
	Feb	23054.6	6058.1	2914.4	4681.4	64.5	-1831.5	29447.2	-10619.2
	Mar	22589.7	6888.5	3098.8	5712.0	67.3	-2680.5	29990.7	-11609.0
	Apr	23069.5	8415.2	3099.4	6463.4	51.2	-3415.1	30040.4	-11971.0
	May	23499.5	8023.0	3012.1	5742.7	51.2	-2781.9	30345.8	-12087.5
	Jun	22497.2	6949.8	3270.2	6110.0	52.7	-2892.5	30685.8	-12245.9
	Jul	24854.4	9292.8	3315.5	5853.1	52.7	-2590.3	30762.6	-12610.7
	Aug	24937.4	8336.5	3026.9	4667.2	52.7	-1693.0	30998.6	-12704.7
	Sep	25701.1	7825.5	3037.3	4080.3	52.7	-1095.7	31395.3	-12423.9
	Oct	24992.1	7265.1	2995.6	-5008.3	52.8	7951.1	32528.8	-22752.9
	Nov	26200.2	7689.4	3025.3	-4740.0	52.8	7712.4	32736.7	-21938.3
	Dec	24808.3	6834.0	3101.3	-5192.3	52.9	8240.8	32355.9	-22622.4

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Table II.8 Changes in determinants of money supply (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		
2005	**Jan**	**-368.5**	**504.6**	**-176.6**	**623.8**	**-84.8**	**-772**	**396.9**	**435.2**
	Feb	654.3	264.9	133.1	-276.7	0.0	409.7	124.8	-145.2
	Mar	154.7	-38.5	27.5	-260.7	-45.0	333.2	444.6	-584.6
	Apr	511.5	-480.7	-288.2	-107.4	0.0	-180.8	428.2	744.9
	May	-77.0	-822.6	44.0	-289.9	0.0	333.9	414.6	-2.8
	Jun	268.2	-178.3	282.9	-145.2	0.0	428.1	49.9	-31.5
	Jul	383.2	648.0	-109.0	454.2	0.0	-563.2	457.0	-158.6
	Aug	-154.4	-252.1	19.6	-300.5	0.0	320.1	280.6	-503.0
	Sep	-353.8	-557.1	-31.1	-212.9	0.0	181.8	238.4	-216.8
	Oct	256.5	766.4	-2.9	477.1	0.0	-480.0	239.6	-269.5
	Nov	145.6	-362.1	-72.3	-314.4	0.0	242.1	452.1	-186.4
	Dec	-97.4	-494.2	578.7	269.3	0.0	309.4	483.0	-395.5
2006	**Jan**	**426.2**	**1047.8**	**-167.0**	**417.8**	**0.0**	**-584.8**	**71.6**	**-108.3**
	Feb	-427.6	-473.0	-263.3	-220.3	0.0	-42.9	709.4	-621.0
	Mar	1385.4	304.9	372.6	48.5	13.9	310.2	409.9	360.4
	Apr	378.5	1111.4	-101.7	1155.7	0.0	-1257.4	530.3	-5.7
	May	584.3	-134.0	117.0	-346.0	0.0	463.0	666.4	-411.1
	Jun	831.8	-241.7	118.1	-198.6	0.0	316.7	399.4	357.3
	Jul	424.1	836.9	-106.1	873.7	0.0	-979.8	503.6	63.5
	Aug	-343.5	-302.9	7.8	-461.5	0.0	469.4	226.6	-736.6
	Sep	882.5	1951.3	-99.6	-180.6	-2.6	83.6	-25.1	-1127.2
	Oct	726.2	1501.6	114.7	963.9	13.0	-862.2	434.3	-347.5
	Nov	379.4	-820.1	-6.9	-694.0	0.1	687.0	137.9	374.6
	Dec	-77.3	218.8	195.5	90.4	0.1	104.9	-44.5	-356.4
2007	**Jan**	**704.4**	**1283.7**	**17.9**	**2330.7**	**0.1**	**-2312.9**	**605.2**	**1128.4**
	Feb	-190.0	-70.1	129.2	-238.9	0.1	368.0	557.8	-1045.8
	Mar	-464.9	830.4	184.4	1030.6	2.8	-848.9	543.5	-989.8
	Apr	479.8	1526.7	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	-1002.3	-1073.3	258.1	367.3	1.5	-110.6	340.0	-158.4
	Jul	2357.2	2343.1	45.3	-257.0	0.0	302.2	76.8	-364.8
	Aug	82.9	-956.3	-288.6	-1185.9	0.0	897.3	236.0	-94.0
	Sep	763.8	-511.0	10.4	-586.8	0.0	597.2	396.7	280.8
	Oct	-709.0	-560.4	-41.7	-9088.7	0.2	9046.8	1133.5	-10329.0
	Nov	1208.1	424.4	29.7	268.3	0.0	-238.7	207.8	814.6
	Dec	-1391.9	-855.4	76.1	-452.3	0.1	528.3	-380.7	-684.1

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
2004	Jan	12.50	11.50	11.54	11.50	7.90	7.56	6.48	8.05	7.75	8.00
	Feb	12.50	11.50	11.61	11.50	8.00	7.56	6.56	7.45	7.75	8.00
	Mar	12.50	11.50	11.49	11.50	8.20	7.76	6.38	7.48	7.75	8.00
	Apr	12.50	11.50	12.82	11.50	8.01	7.76	6.25	7.48	7.75	8.00
	May	12.50	11.50	11.40	11.50	7.98	7.76	6.38	7.48	7.75	8.00
	Jun	12.50	11.50	11.59	11.50	8.07	7.83	6.38	7.71	7.75	8.00
	Jul	12.50	11.50	11.38	11.50	8.02	7.89	6.48	7.62	7.50	8.00
	Aug	12.25	11.00	11.10	11.00	8.13	7.44	6.29	7.23	7.50	7.50
	Sep	12.25	11.00	11.16	11.00	7.66	7.12	6.20	6.84	7.50	7.50
	Oct	12.25	11.00	10.79	11.00	7.48	7.28	6.26	6.76	7.50	7.50
	Nov	12.25	11.00	10.06	11.00	7.55	7.25	6.20	6.71	7.50	7.50
	Dec	12.25	11.00	10.73	11.00	7.49	7.27	6.36	6.71	7.50	7.50
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		10.50	11.00

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Table III.1(a) Treasury bills auction N$ million

		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
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	200.0	168.7	-31.3	9.9
	Feb	320.0	750.6	430.6	14.0
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

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**	03/08	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	3200.0	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*	06/08	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**	02/08	70,000.0	0.0	70,000.0	30,000.0	0.0	0.0	100,000.0	3,000,000.0

91 days
*182 days
**365 days

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Table III. 2 (a) Internal registered stock auction N$ million

		Offer	Tendered	Surplus (+) Deficit (-)	Weighted YTM %
GC12 (10.50%)					
2006					
	February	40.0	108.2	68.2	8.7
	March	40.0	138.0	98.0	8.5
	May	40.0	85.0	45.0	8.5
	June	40.0	46.5	6.5	9.4
	July	40.0	65.3	25.3	9.8
	August	40.0	82.0	42.0	9.8
	September	80.0	40.5	-39.5	9.7
	October	40.0	130.9	90.9	9.8
	November	40.0	87.9	47.9	9.2
	December	40.0	138.5	98.5	9.3
2007					
	January	40.0	160.0	120.0	9.3
	February	40.0	138.5	98.5	8.9
	March	40.0	162.4	122.4	8.0
GC15 (13.00%)					
2006					
	January	40.0	74.9	34.9	9.1
	April	40.0	226.0	186.0	8.8
	May	40.0	100.0	60.0	8.8
	June	40.0	91.5	51.5	9.4
	July	40.0	55.0	15.0	9.9
	September	80.0	64.3	-15.7	8.8
GC24 (10.50%)					
2006					
	January	40.0	65.00	25.0	9.1
	February	40.0	107.5	67.5	9.1
	April	40.0	83.4	43.4	9.1
	June	40.0	65.0	25.0	9.7
	July	40.0	85.5	45.5	10.2
	August	40.0	71.7	31.7	10.2
	September	80.0	66.0	-14.0	10.4
	October	40.0	53.5	13.5	0.0
	November	40.0	98.5	58.5	9.5
	December	40.0	98.5	58.5	9.3
2007					
	January	40.0	42.5	2.5	9.3
	February	40.0	75.0	35.0	9.1
	March	40.0	129.0	89.0	8.9

No bonds were issued since March 2007

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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 Outstanding
2006										
Jan	04/15	13.00	37,000.0	2,300.0	39,300.0	0.0	0.0	700.0	40,000.0	5,767,047.2
Jan	10/24	10.50	0.0	0.0	0.0	40,000.0	0.0	0.0	40,000.0	5,807,047.2
Feb	10/12	10.50	26,310.0	13,690.0	40,000.0	0.0	0.0	0.0	40,000.0	5,847,047.2
Feb	10/24	10.50	31,980.0	7,290.0	39,270.0	730.0	0.0	0.0	40,000.0	5,887,047.2
Mar	10/12	10.50	26,310.0	13,690.0	40,000.0	0.0	0.0	0.0	40,000.0	5,927,047.2
Apr	04/15	13.00	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	5,967,047.2
Apr	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,007,047.2
May	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,047,047.2
May	04/15	13.00	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,087,047.2
June	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,127,047.2
June	04/15	13.00	16,500.0	23,500.0	40,000.0	0.0	0.0	0.0	40,000.0	6,167,047.2
June	10/24	10.50	32,000.0	0.0	32,000.0	0.0	0.0	8,000.0	40,000.0	6,207,047.2
July	10/12	10.50	39,750.0	0.0	39,750.0	250.0	0.0	0.0	40,000.0	6,247,047.2
July	04/15	13.00	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,287,047.2
July	10/24	10.50	37,000.0	0.0	37,000.0	3,000.0	0.0	0.0	40,000.0	6,327,047.2
Aug	10/12	10.50	38,430.0	0.0	38,430.0	1,570.0	0.0	0.0	40,000.0	6,367,047.2
Aug	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,407,047.2
Sep	10/12	10.50	31,500.0	0.0	31,500.0	3,000.0	0.0	0.0	34,500.0	6,441,547.2
Sep	04/15	13.00	31,300.0	0.0	31,300.0	6,000.0	0.0	0.0	37,300.0	6,478,847.2
Sep	10/24	10.50	59,000.0	0.0	59,000.0	0.0	0.0	0.0	59,000.0	6,537,847.2
Oct	10/12	10.50	0.0	17,000.0	17,000.0	23,000.0	0.0	0.0	40,000.0	6,577,847.2
Nov	10/12	10.50	27,070.0	0.0	27,070.0	12,750.0	0.0	180.0	40,000.0	6,617,847.2
Nov	10/24	10.50	33,680.0	0.0	33,680.0	6,320.0	0.0	0.0	40,000.0	6,657,847.2
Dec	10/12	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,697,847.2
Dec	10/24	10.50	40,000.0	0.0	40,000.0	0.0	0.0	0.0	40,000.0	6,737,847.2
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	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
May	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
Jun	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,977,847.2
Jul**	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Aug	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Sept	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Oct	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Nov	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Dec	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
2008										
Jan	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2
Feb	NA	NA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,781,987.2

*Switch of GCO5 into GC07, GC10 & GC15

**Redemption of GC07

NA 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

	Actual				Estimates	
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue						
Taxes on income and profits	3,618.5	4,025.0	4,575.7	5,676.0	5,201.0	6,637.4
Taxes on property	75.2	85.9	110.1	142.1	134.0	165.9
Domestic taxes on goods and services	1,950.8	2,057.3	3,272.4	3,196.8	3,487.6	3,932.6
Taxes on international trade	3,035.6	4,206.8	3,891.9	6,697.9	8,085.0	8,501.8
Other taxes	82.8	94.1	113.4	130.4	134.0	145.5
Total tax revenue	**8,762.9**	**10,469.0**	**11,963.4**	**15,843.2**	**17,041.6**	**19,383.2**
Entrepreneurial and property income	488.8	490.0	542.9	1,264.0	662.8	815.6
Fines and forfeitures	18.9	17.0	17.6	18.7	23.5	24
Administration fees and charges	449.3	342.1	511.2	400.5	431.7	475.5
Total non-tax revenue	**970.5**	**885.9**	**1,104.1**	**1,700.6**	**1,141.7**	**1,348.6**
Total revenue (own sources)	**9,733.4**	**11,354.2**	**13,067.5**	**17,543.8**	**18,183.3**	**20,731.8**
Grants	**34.2**	**70.4**	**39.0**	**49.6**	**204.0**	**141.0**
Loans earmarked for on-lending	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total revenue and grants	**9,767.6**	**11,424.6**	**13,106.5**	**17,593.4**	**18,387.3**	**20,872.8**
Expenditure						
Current Expenditure						
Personnel expenditure	5,117.0	5,527.1	5,888.3	6,213.7	6,725.0	7,708.6
Expenditure on goods and other services	2,079.4	1,921.9	1,922.4	2,164.8	2,995.3	3,731.2
Statutory	996.0	1,040.2	23.9	1,475.2	1,201.7	1,330.8
Subsidies and other current transfers	2,255.9	2,296.9	2,544.6	2,749.3	3,067.0	4,629.7
Total current expenditure	**10,448.3**	**10,786.1**	**11,541.6**	**12,603.0**	**13,989.0**	**17,400.3**
Capital Expenditure						
Capital expenditure	1,293.4	1401.1	1337.4	1763.9	2277.4	3775.4
Capital transfer	103.6	217.4	106.0	261.8	341.8	159.4
Total lending and equity participation	400.0	365.9	207.5	650.6	1,219.2	1,129.3
Total Capital Expenditure	**1,796.9**	**1,984.5**	**1,650.9**	**2,676.3**	**3,838.3**	**5,064.1**
Total expenditure	**12,245.2**	**12,770.6**	**13,192.5**	**15,279.3**	**17,827.3**	**22,464.4**
Overall deficit (-)/ surplus(+)	**-2,477.6**	**-1,346.0**	**-84.9**	**2,314.1**	**560.0**	**-1,591.6**
Total financing						
Net borrowing	1,788.3	2,441.5	67.1	926.5	-1,942.7	3,091.7
Decease(+)/increase(-) in cash balance	689.3	-1,095.5	17.8	-2,381.3	-1,486.5	3,534.2
Total financing	**2,477.6**	**1,346.0**	**84.9**	**-2,314.2**	**-560.0**	**1,591.5**

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Table IV.A Major balance of payments aggregates (a) (N$ million)

	2002	2003	2004	2005(p)	2006(p)	2007(p)
Merchandise trade balance	**-2,183**	**-3,481**	**-1,829**	**-1,688**	**642**	**-429**
Exports fob	11,278	9,463	11,761	13,149	17,949	20,547
Imports fob	-13,461	-12,944	-13,590	-14,837	-17,307	-20,976
Services (net)	**390**	**1,050**	**352**	**277**	**659**	**644**
Credit	2,849	3,115	3,058	2,614	3,582	4,217
Debit	-2,459	-2,065	-2,706	-2,338	-2,924	-3,572
Compensation of employees (net)	**-14**	**-31**	**-27**	**-23**	**-40**	**-16**
Credit	45	53	56	67	67	67
Debit	-59	-83	-83	-90	-106	-83
Investment income (net)	**252**	**531**	**639**	**-79**	**-202**	**196**
Credit	1,371	1,570	1,492	1,495	1,834	3,146
Debit	-1,118	-1,039	-853	-1,574	-2,036	-2,950
Current transfers in cash and kind (net)	**2,895**	**3,467**	**4,304**	**4,262**	**6,428**	**7,051**
Credit	3,206	3,670	4,529	4,548	6,733	7,421
Debit	-310	-203	-225	-286	-306	-369
Current Account Balancae	**1,341**	**1,537**	**3,439**	**2,748**	**7,486**	**7,447**
Net capital transfers	**429**	**510**	**498**	**505**	**573**	**586**
Credit	431	512	501	509	576	590
Debit	-2	-3	-3	-3	-3	-3
Direct investment	**1,969**	**1,204**	**1,602**	**2,530**	**2,697**	**4,893**
Abroad	57	79	143	80	79	-20
In Namibia	1,912	1,125	1,459	2,450	2,618	4,914
Portfolio investment	**-4,441**	**-4,792**	**-5,436**	**-6,640**	**-7,528**	**-10,365**
Assets	-4,310	-4,621	-5,303	-6,686	-7,576	-10,416
Liabilities	-132	-171	-133	46	48	51
Other investment - long term	**612**	**418**	**-501**	**238**	**1,313**	**-1,255**
Assets	-204	-9	-91	-211	68	-64
Liabilities	816	426	-410	448	1,245	-1,191
Other investment - short term	**410**	**406**	**151**	**489**	**-4,073**	**1,273**
Assets	154	29	396	499	-2,520	935
Liabilities	256	377	-245	-9	-1,553	338
Capital and financial account excluding reserves	**-1,021**	**-2,254**	**-3,685**	**-2,877**	**-7,018**	**-4,868**
Net errors and omissions	**-90**	**-879**	**620**	**696**	**610**	**222**
OVERALL BALANCE	**98**	**-862**	**-88**	**14**	**1,078**	**4,066**
Reserve assets	**-98**	**862**	**88**	**-14**	**-1,078**	**-4,066**

(a) Debit (negative) entries ar 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

E

Table IV.B Supplementary table: balance of payments-services (N$ million)

	2002	2003	2004	2005	2006(p)	2007(p)
Net	**390**	**1,050**	**352**	**276**	**659**	**644**
Credit	**2,849**	**3,115**	**3,058**	**2,614**	**3,582**	**4,217**
Transportation	374	407	163	143	691	843
Travel	2,281	2,498	2,605	2,211	2,601	3,058
Insurance	2	0	0	0	12	36
Communication	42	64	100	106	105	105
Construction	16	0	0	0	0	0
Financial	14	0	0	0	0	0
Computer and information	0	0	0	0	8	9
Royalties and license Fees	40	0	0	0	0	0
Administrative and business	4	2	3	3	2	4
Professional and technical	0	0	12	0	4	10
Others, not included elsewhere	0	23	48	12	22	15
Government	77	119	127	138	136	136
Debit	**-2,459**	**-2,065**	**-2,706**	**-2,338**	**-2,924**	**-3,572**
Transportation	-775	-457	-872	-829	-1,019	-1,658
Travel	-678	-759	-790	-686	-806	-931
Insurance	-124	-131	-115	-60	-128	-190
Communication	-2	-2	-2	-2	-2	-2
Construction	-193	-18	-28	-25	-172	-63
Financial	-14	-41	-20	-60	-30	-35
Computer and information	-91	-91	-95	-83	-142	-110
Royalties and license fees	-18	-27	-21	-11	-21	-14
Administrative and business	-185	-257	-186	-172	-189	-214
Professional and technical	-249	-152	-394	-292	-305	-215
Others, not included elsewhere	-32	-74	-122	-60	-51	-82
Government	-98	-56	-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(p)	2007(p)
Compensation of employees, net	**-14**	**-31**	**-27**	**-23**	**-40**	**-16**
Credit	45	53	56	67	67	67
Debit	-59	-83	-83	-90	-106	-83
Investment income, net	**121**	**1,265**	**176**	**-633**	**-202**	**196**
Credit	1,371	1,570	1,496	1,495	1,834	3,146
Direct investment	13	22	37	49	6	8
Portfolio investment	703	1,041	1,056	1,033	1,379	1,438
Other investment	655	506	402	413	450	1,700
Debit	**-1,250**	**-304**	**-1,320**	**-2,128**	**-2,036**	**-2,950**
Direct investment	-1,032	26	-961	-1,791	-1,726	-2,605
Portfolio investment	-82	-82	-151	-161	-168	-170
Other investment	-137	-248	-209	-176	-143	-175

Table IV.D Supplementary table : balance of payments- transfers (N$ million)

	1990	2002	2003	2004	2005	2006(p)	2007(p)
Net current transfers	**1,132**	**2,895**	**3,467**	**4,304**	**4,262**	**6,428**	**7,051**
Credit	1,183	3,206	3,670	4,529	4,548	6,733	7,421
Government	1,151	3,053	3,479	4,353	4,384	6,549	7,260
Grants from foreign governments, etc	77	282	325	317	321	319	269
SACU receipts	1,052	2,608	2,926	3,914	3,915	6,049	6,752
Witholding taxes	22	79	25	36	53	67	122
Other transfers received	0	84	204	87	96	114	117
Private	33	152	191	176	163	185	161
Grants received by NGO's	10	48	47	40	40	63	40
Other transfers received	23	104	144	136	123	121	121
Debit	-51	-310	-203	-225	-286	-306	-369
Government	-44	-272	-171	-194	-255	-275	-338
Grants to foreign governments, etc	-1	-3	-4	-5	-5	-11	-19
SACU receipts	-42	-269	-167	-189	-250	-264	-320
Witholding taxes	0	0	0	0	0	0	0
Other transfers	0	0	0	0	0	0	0
Private	-8	-38	-32	-31	-31	-31	-31
Grants received by NGO's	0	0	0	0	0	0	0
Other transfers received	-8	-38	-32	-31	-31	-31	-31
Net capital transfers	**121**	**429**	**510**	**498**	**505**	**573**	**586**
Credit	122	431	512	501	509	576	590
Government	564	424	487	475	483	550	564
Private	26	7	25	26	26	26	26
Debit	-3	-2	-3	-3	-3	-3	-3
Government	0	0	0	0	0	0	0
Private	-3	-2	-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(p)	2007(p)
Direct investment abroad	**57**	**79**	**143**	**80**	**79**	**-20**
Equity capital	10	9	8	10	37	-20
Reinvested earnings	11	13	14	-13	7	3
Other capital	36	57	122	84	36	-3
Direct investment in Namibia	**1,912**	**1,125**	**1,459**	**2,213**	**2,618**	**4,914**
Equity capital	1,425	842	839	1,175	2,948	3,866
Reinvested earnings	151	-546	491	1,288	1,019	1,287
Other capital	335	829	129	-250	-1,349	-240

Table IV.F Supplementary table: balance of payments-portfolio investment (N$ million)

	2002	2003	2004	2005	2006(p)	2007(p)
Portfolio investment, net	**-4,441**	**-4,792**	**-5,435**	**-6,640**	**-7,528**	**-10,364**
Equity	**-2,620**	**-3,002**	**-3,188**	**-4,765**	**-5,232**	**-8,451**
Assets	-2,707	-3,032	-3,217	-4,797	-5,264	-8,483
Liabilities	87	30	29	32	32	32
Debt	**-1,821**	**-1,790**	**-2,247**	**-1,875**	**-2,296**	**-1,913**
Assets	-1,603	-1,589	-2,085	-1,889	-2,313	-1,933
Liabilities	-219	-200	-162	14	16	19

Table IV.G Supplementary table: balance of payments-other investmen (N$ million)

	2002	2003	2004	2005	2006(p)	2007(p)
Long-term, net	**612**	**418**	**-501**	**239**	**1,313**	**-1,255**
General Government	872	283	54	53	84	8
Assets	-24	-32	-40	-40	-40	-40
Liabilities	896	315	94	93	124	48
Of which: Drawings	921	367	124	199	202	183
Repayments	-24	-52	-30	-106	-79	-135
Monetary authorities	0	0	0	0	0	0
Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Banks	0	7	119	322	796	-14
Assets	0	6	114	-21	7	3
Liabilities	0	0	5	343	789	-17
Other sectors	-259	128	-674	-136	433	-1,250
Assets	-179	17	-165	-149	101	-28
Liabilities	-80	111	-509	13	332	-1,222
Short-term, net	**410**	**406**	**151**	**489**	**-4,073**	**1,273**
General Government	0	0	0	0	0	0
Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Banks	639	383	220	469	-3,843	1,213
Assets	347	51	277	359	-2,479	1,284
Liabilities	293	332	-57	110	-1,364	-71
Other sectors	-229	23	-69	20	-230	60
Assets	-193	-22	119	140	-40	-350
Liabilities	-37	45	-188	-120	-189	410

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Table IV.H International foreign exchange reserves stock (N$ million)

	2000	2001	2002	2003	2004	2005	2006	2007
January	2,078	2,320	3,258	2,907	2,614	2,164	2,521	4,295
February	1,938	2,005	3,054	2,454	1,935	1,874	2,571	4,248
March	1,638	1,923	2,705	2,081	1,751	1,786	2,253	5,739
April	2,136	2,189	2,566	2,183	2,276	2,213	2,934	5,937
May	1,948	1,880	2,396	1,959	1,787	1,957	2,785	5,652
June	1,865	1,950	2,317	2,032	1,678	1,744	2,494	5,981
July	2,347	2,664	3,373	2,016	1,881	2,240	3,111	7,255
August	1,865	2,281	3,220	1,798	1,853	2,001	2,593	6,128
September	2,069	1,962	2,905	2,080	1,731	1,617	2,877	5,679
October	2,141	2,303	2,834	2,198	2,075	2,070	3,883	6,481
November	1,936	2,382	2,392	2,015	1,891	1,762	3,392	6,008
December	1,976	2,699	2,797	2,044	1,847	1,861	2,939	6,401

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Table IV.I (a) International investment position - N$ million

	2006(p)												2007 (p)											
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4		
	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	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**	**38,286**	**9,572**	**47,858**	**42,090**	**10,522**	**52,612**	**44,339**	**11,085**	**55,424**	**49,406**	**12,351**	**61,757**
Direct investment	158	40	198	75	19	94	88	22	126	41	10	51	96	24	121	59	15	74	58	15	73	61	15	77
1.1 Equity capital	90	22	112	62	15	77	88	22	111	30	8	38	71	18	89	51	13	64	53	13	66	45	11	56
1.2 Other capital	68	17	86	13	3	16	0	0	15	11	3	13	25	6	32	8	2	10	5	1	7	17	4	21
Long-term	7	2	9	13	3	16	12	3	15	11	3	13	25	6	32	8	2	10	5	1	7	0	0	1
Short-term	61	15	77	0	0	0	0	0	0	0	0	0	0	0	0	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	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	18,233	5,528	23,761	20,688	5,914	26,602	21,928	6,547	18,466	21,988	1,043	23,031	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	6,226	1,884	8,110	6,515	2,314	8,829	7,229	2,393	5,095	6,807	1,480	8,287	8,525	780	9,304	10,784	797	11,582	13,097	826	13,923	15,452	752	16,204
Other investment	1,248	312	1,560	2,103	526	2,628	2,645	661	3,306	5,167	1,292	6,458	6,819	1,705	8,524	8,179	2,045	10,224	9,082	2,271	11,353	11,411	2,853	14,264
3.1 Claims of resident non-bank companies	204	51	255	367	92	459	182	45	227	177	44	221	245	61	306	351	88	439	298	74	482	4,247	1,062	5,309
3.1.1 short-term loans and trade finance	152	38	191	223	56	279	103	26	129	113	28	141	154	38	192	261	65	326	207	52	456	4,140	1,035	5,175
3.1.2 long-term loans	52	13	65	144	36	180	78	20	98	64	16	80	91	23	114	90	22	112	91	23	26	107	27	134
3.2 Claims of resident banks	159	40	199	690	173	863	875	219	1,093	2,728	682	3,410	1,351	338	1,689	1,107	277	1,383	1,533	383	1,916	803	201	1,003
3.2.1 short-term loans	134	34	168	134	34	168	184	46	230	1,872	468	2,340	565	141	707	352	88	440	258	64	322	258	64	322
3.2.2 long-term loans	25	6	32	556	139	695	691	173	863	856	214	1,070	785	196	982	754	189	943	1,275	319	1,594	545	136	681
3.3 Claims of resident parastatal companies	11	3	14	15	4	18	24	6	30	26	7	33	28	7	35	28	7	35	29	7	36	32	8	40
3.3.1 short-term loans and trade finance	8	2	10	12	3	14	21	5	26	23	6	29	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	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	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	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	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	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	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	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	197	49	246	243	61	304	167	42	209	242	60	302	4	1	5	5	1	6	92	23	115	24	6	30
3.7.1 Other-eg., re-insurance and bonds	197	49	246	243	61	304	167	42	209	242	60	302	4	1	5	5	1	6	92	23	115	24	6	30
Reserve Assets	1,803	451	2,253	1,995	499	2,494	2,302	575	2,877	2,351	588	2,939	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	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	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	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	4,591	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	0	0	0	0	0	0	0	0	0	0	0	0

(p) Provisional, except for the reserve assets.

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Table IV.I (b) International investment position - N$ million

	2006(p)												2007(p)											
	Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4		
	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total	South Africa	Others	Total
FOREIGN LIABILITIES	**22,326**	**5,582**	**27,908**	**20,898**	**5,225**	**26,123**	**20,890**	**5,222**	**26,112**	**21,239**	**10,104**	**31,343**	**21,747**	**8,826**	**30,591**	**25,087**	**8,398**	**33,484**	**21,112**	**7,355**	**28,467**	**25,692**	**8,578**	**34,269**
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**	**16,279**	**2,524**	**18,803**	**19,542**	**4,886**	**24,428**	**16,459**	**4,115**	**20,574**	**20,825**	**5,206**	**26,031**
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	13,988	1,951	15,939	14,563	3,641	18,204	11,157	2,789	13,946	15,243	3,811	19,054
1.2 Other capital	1,000	250	1,250	1,755	439	2,194	1,496	374	1,870	2,253	563	2,817	2,291	573	2,864	4,979	1,245	6,224	5,302	1,326	6,628	5,582	1,395	6,977
Long-term	**575**	**144**	**718**	**735**	**184**	**919**	**748**	**187**	**935**	**1,133**	**283**	**1,416**	**1,326**	**332**	**1,658**	**3,952**	**988**	**4,940**	**1,233**	**308**	**1,541**	**4,359**	**1,090**	**5,449**
Short-term	**425**	**106**	**531**	**1,021**	**255**	**1,276**	**748**	**187**	**935**	**1,120**	**280**	**1,401**	**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**	**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	78	20	98	78	20	98	78	20	98	78	20	98
2.2 Debt securities (public/private)	389	97	486	389	97	486	389	97	486	389	97	486	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**	**4,018**	**7,325**	**11,343**	**5,001**	**6,185**	**11,204**	**5,077**	**3,395**	**8,472**	**4,186**	**3,123**	**7,309**	**4,399**	**3,255**	**7,654**
3.1 Liabilities of resident non-bank companies	302	75	377	400	100	500	333	83	417	384	96	480	339	85	424	427	107	533	534	133	667	570	142	712
3.1.1 short-term loans	84	21	106	129	32	161	227	57	283	123	31	154	144	36	180	339	85	423	453	113	567	485	121	606
3.1.2 long-term loans	217	54	272	272	68	340	107	27	133	261	65	326	195	49	244	88	22	110	80	20	101	85	21	106
3.2 Liabilities of resident banks	1,256	314	1,570	569	142	712	264	66	330	1,119	280	1,399	794	199	993	1,529	382	1,912	1,104	276	1,380	1,303	326	1,629
3.2.1 short-term loans	402	100	502	4	1	5	75	19	94	753	188	941	670	168	838	1,165	291	1,456	738	185	923	950	238	1,188
3.2.2 long-term loans	854	214	1,068	566	141	707	189	47	236	366	92	458	124	31	155	365	91	456	366	91	457	353	88	441
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	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	1,015	254	1,269	1,094	273	1,367	61	15	77	1,102	275	1,377	92	23	115	88	22	110	90	23	113	120	30	150
3.3.2 long-term loans	52	13	65	60	15	75	1,147	287	1,434	80	20	100	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	232	58	290	232	58	290	232	58	290	232	58	290	231	58	289	231	58	289
3.4.1 short-term loans and trade finance	229	57	287	229	57	287	3	1	4	229	57	287	3	1	4	3	1	4	2	1	3	2	1	3
3.4.2 long-term loans	3	1	4	3	1	4	229	57	286	3	1	4	229	57	286	229	57	286	229	57	286	229	57	286
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	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	1,475	369	1,843	1,905	476	2,381	188	2,488	2,676	186	2,340	2,526	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	1,312	328	1,640	1,692	423	2,115	858	215	1,073	914	229	1,143	1,124	281	1,405	1,130	283	1,413	782	195	977	838	209	1,047
3.7 Liabilities of EPZ companies	3,260	815	4,075	945	236	1,181	945	236	1,181	1	4,027	4,028	773	3,091	3,864	13	53	66	15	59	74	0	0	0
3.7.1 short-term loans and trade finance	131	33	164	647	162	809	647	162	809	142	568	710	0	0	0	0	0	0	15	59	74	0	0	0
3.7.2 long-term loans	3,129	782	3,911	297	74	372	297	74	372	865	3,459	4,324	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	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	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	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	7,539	1,885	9,424	13,813	3,453	17,267	15,302	3,826	19,128	21,565	5,391	26,956	21,990	5,497	27,487

(p) Provisional.

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
2001	Jan	0.1287	0.0870	0.2678	15.0376	0.2094	22.7790	0.1369
	Feb	0.1280	0.0880	0.2775	14.8588	0.2131	23.0947	0.1388
	Mar	0.1269	0.0877	0.2572	15.3610	0.2141	23.2019	0.1375
	Apr	0.1237	0.0863	0.2712	15.3139	0.2120	23.0947	0.1387
	May	0.1255	0.0881	0.2808	15.2672	0.2202	23.8663	0.1436
	Jun	0.1241	0.0885	0.2620	15.1745	0.2214	24.2131	0.1454
	Jul	0.1220	0.0863	0.2775	15.1976	0.2148	23.5849	0.1419
	Aug	0.1204	0.0837	0.2613	14.6199	0.2024	22.2222	0.1336
	Sep	0.1159	0.0793	0.2491	13.7741	0.1903	21.1864	0.1273
	Oct	0.1079	0.0743	0.2351	13.0890	0.1762	19.8020	0.1191
	Nov	0.1028	0.0716	0.2259	12.5945	0.1697	19.2678	0.1158
	Dec	0.0866	0.0602	0.1897	11.0865	0.1431	16.1290	0.0970
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

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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	98.6	83.0	92.2	113.3	93.1	86.6
	Nov	98.8	84.9	93.2	114.3	95.6	87.6
	Dec	98.9	85.2	93.4	113.6	95.6	87.6

BANK OF NAMIBIA PUBLICATIONS

1. REGULAR PUBLICATIONS

Title	Frequency
Financial Stability Review	Bi-annually
Quarterly Bulletin	Quarterly
Annual Report	Annually

2. OCCASIONAL PAPERS OF THE BANK OF NAMIBIA – OP

Title	Authors	No and Year
Savings and Investment in Namibia	Ipumbu Shiimi and Gerson Kadhikwa	OP 02/1999
Efficiency of Commercial Banks in Namibia	Silvanus Ikhide	OP01/2000
Estimating the Demand for Money in Namibia	Silvanus Ikhide and Kava Katjomuise	OP 01/1999
Modeling Inflation in Namibia	Mihe Gaomab II	OP/1998
The Structure and Nature of Savings in Namibia	Ebson Uanguta, Emma Haiyambo, Gerson Kadhikwa and Chimana Simana	OP 1/2004
Potential for Diversifying Namibia's Non-Mineral Exports	Bernie Zaaruka and Heinrich Namakalu	OP1/2002
Viability of Commercial Bank branches in rural communities in Namibia	Esau Kaakunga, Bernie Zaaruka, Erna Motinga and John Steytler	OP 2/2004
Namibia Macro-econometric Model	Tjiveze Tjipe, Hannah Nielsen and Ebson Uanguta	OP1/2005
Private Equity: Lessons for Namibia	Bernie Zaaruka, Ebson Uanguta and Gerson Kadhikwa	OP 2/2005
How can Namibia Benefits further from AGOA?	Vitalis Ndalikokule, Esau Kaakunga and Ben Biwa	OP 2/2006
Property Rights and Access to Credit	Esau Kaakunga and Vitalis Ndalikokule	OP 1/2006
Assessing the potential of the manufacturing sector in Namibia	Gerson Kadhikwa and Vitalis Ndalikokule	OP 1/2007

3. BANK OF NAMIBIA ANNUAL SYMPOSIUM

Theme	Speakers	Year
Central banking issues and economic development		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.Wangwe-esrf-Tanzania, Dr.O.A.Akinboade, Unisa-RSA; Dr. W.Werner - Namibia	2003

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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

4. 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

5. BANK OF NAMIBIA WORK IN PROGRESS

Title	Authors	Year
The Viability of Export Credit Guarantee and Insurance Scheme	Bernie Zaaruka, Ebson Uanguta and Postrick Mushendami	Final editing
The Impact of HIV/AIDS on the Banking sectors	Bernie Zaaruka, Lourencia Hamauka and Christian Phillipus	Work in Progress
The Viability of Public Investment House in Namibia	Bernie Zaaruka, Mihe Gaomab and Ben Biwa	Work in Progress
Is Fiscal Policy Pro-poor growth in Namibia	Evangelina Nailenge, Bernie Zaaruka and Christian Phillipus	Work in Progress
Enhancing leasing and Factoring in Namibia	Florette Nakusera, Postrick Mushendami and Gerson Kadhikwa	Work in Progress

LIST OF ABBREVIATIONS

AACB	African Association of Central Banks
AALS	Affirmative Action Loan Scheme
ACP	African, Caribbean and Pacific Countries
ADB	African Development Bank
ADLA	Authorised Dealer with Limited Authority
Agribank	Agricultural Bank of Namibia
AMCP	African Monetary Co-operation Programme
AML/CFT	Anti-money laundering and combating of financing of terrorism
AU	African Union
AUC	African Union Commission
BCP	Basle Core Principles
BEE	Black economic empowerment
BID	Denotes a determination issued under the Banking Institutions Act, 1997
BIS	Bank for International Settlements
BoN	Bank of Namibia
CAR	Capital Adequacy Requirement
CARIFORUM	Caribbean Forum of African, Caribbean and Pacific States
CBS	Central Bureau Statistics
CCBG	Committee of Central Bank Governors in SADC
CCTV	Closed-circuit television
CFC	Customer Foreign Currency (Account)
CLC	Code line clearing
CMA	Common Monetary Area
CPI	Consumer Price Index
CPIX	Consumer Price Index Excluding Mortgage Costs
CPs	Core Principles
DBN	Development Bank of Namibia
DBSA	Development Bank of Southern Africa
EAC	East African Community
EC	Executive Committee
EC	European Commission
ECB	European Central Bank
EFT	Electronic Funds Transfer (system)
EIB	European Investment Bank
EPA(s)	Economic Partnerships Agreement(s)
EPZ	Export Processing Zone
ESA	East and Southern African
EU	European Union
EUR	Euro (currency)
FDI	Foreign Direct Investment
FI-Act	Financial Intelligence Act, 2007
FIC	Financial Intelligence Centre
FIXBIS	Fixed-interest-bearing securities
FOB	Free On Board
FSAP	Financial Sector Assessment program

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FSI	Financial Stability Institute
FSR	Financial Stability Review
FTAs	Free trade Agreements
GC	Denotes Namibian Government Bond, e.g. GC08
GC07	Government Internal registered Stock maturity in 2007
GC08	Government Internal registered Stock maturity in 2008
GC10	Government Internal registered Stock maturity in 2010
GC12	Government Internal registered Stock maturity in 2012
GC15	Government Internal registered Stock maturity in 2015
GC24	Government Internal registered Stock maturity in 2024
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product (expressed at current market prices, except if otherwise specified)
GNDI	Gross National Disposable Income
GNI	Gross National Income
GSP	Generalized System of Preferences
IEPA	Interim Economic Partnerships Agreement
IFRS	International Financial Reporting Standards
IIP	International Investment Position
IMF	International Monetary Fund
IRMC	International Reserves Management Committee
IRS	Internal Registered Stock (see also GC)
IRSRA	Internal Registered Stock Redemption Account
JSE	Johannesburg Stock Exchange
LBO	Leveraged Buyout
M2	Broad Money Supply
MC	Management Committee
MFN	Most Favoured Nation
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTC	Mobile Telecommunications Company
MTEF	Medium-term Expenditure Framework
NAD	Namibia Dollar (see also N$)
NCDs	Non-negotiable Certificate of Deposits
NCPI	National Consumer Price Index
NEER	Nominal Effective Exchange Rate
NHE	National Housing Enterprise
NISS	Namibia Interbank Settlement System
NPLs	Non-performing loans
NSB	Nampost Savings Bank
NSX	Namibian Stock Exchange
N$	Namibia Dollar (see also NAD)
ODCs	Other Depository Corporations
OPEC	Organization of the Petroleum Exporting Costs
PAN	Payment Association of Namibia
PPI	Production Price Index
PSEs	Public Sector Entities
QIS	Quantitative Impact Study

R	Rand or South African Rand (see also ZAR)
REER	Real Effective Exchange Rate
REPO	Repurchase (agreement)
RHS	Right-Hand Side (of graph)
RISDP	Regional Indicative Strategic Development Plan
ROA	Return on Assets
ROE	Return on Equity
RSF	Revenue Sharing Formula
RSA/SA	Republic of South Africa
RWCR	Risk-weighted Capital Ratio
SACU	South African Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SBFIs	Statutory Banks and Financial Institutions
SIPS	Systemically Important Payment System
SME	Small and medium-sized enterprise
SSA	Sub-Saharan Africa
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TAC	Total Allowance Catches
T Bill	Treasury Bill
TESEF	Transformational Economic and Social Empowerment Framework
TOT	Terms of Trade
US (A)	United States (of America)
USD/US$	United States Dollar
VAT	Value Added Tax
WTO	World Trade Organisation
ZAR	Rand or South African Rand (see also R)

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