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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES ANNUAL REPORT FOR 2018

**BANK OF NAMIBIA DECLARES DIVIDEND OF N\$294 MILLION TO THE STATE
REVENUE FUND ON ACCOUNT OF ITS OPERATIONS DURING 2018**

Highlights of the Report

- The financial performance of the Bank in the FY2018 improved significantly when compared to the FY2017.
- The Bank declares dividends of N\$294 million to the State Revenue Fund, for the 2018 financial year
- Stock of international reserves rose by 2.8 percent to N\$31.0 billion at the end of 2018.
- Despite the weak growth of the economy, the banking sector's performance remained sound during 2018.
- Namibia's current account deficit narrowed further to 2.1 percent of GDP during 2018 from 5.1 percent of GDP in 2017.
- Namibia's economic growth is estimated to have contracted in 2018.

- 1. The Bank of Namibia continues to honour its statutory obligations and pursuant to Section 52(1) of the Bank of Namibia Act (No. 15 of 1997), hereby releases its Annual Report.** The Annual Report is the Bank's premier publication that outlines the governance of the Bank, global and domestic economic and financial developments, the banking supervision report and key achievements of the Bank in 2018.

OPERATIONS AND AFFAIRS OF THE BANK

2. **In 2018 the Bank continued with the implementation of its 2017 – 2021 Strategic Plan, which outlines the Bank's Strategic Objectives, Strategies and Outcomes, and Special Focus Areas.** Through its dedicated staff and the guidance provided by the Board of the Bank, the Bank remained steadfast and delivered on its Strategic Objectives, as outlined in the Annual Report.
3. **The financial performance of the Bank in FY2018 improved significantly, in comparison with FY2017.** The increase in the Bank's reserves balance and favourable interest and exchange rates contributed to the observed improvement in the financial performance. As in the past, the Bank prudently managed its operational costs and declared an increased dividend of N\$294 million to the State Revenue Fund, up from N\$213 million a year earlier.

STATE OF THE ECONOMY IN 2018

4. **After gaining momentum in 2017, global economic growth is estimated to have weakened slightly in 2018.** The global growth for 2018 moderated to 3.7 percent, compared to 3.8 percent in 2017. The reduced growth was due to lower growth rates for both advanced economies (AEs) and Emerging Market and Developing Economies (EMDEs). Slower growth was recorded in AEs, except for the United States. Similarly, the lower growth rates for the EMDEs emanated from China, South Africa and Angola, despite expansions in India, Russia and Brazil. Global financial markets recorded losses in 2018 in response to global growth concerns, tighter financial conditions and global policy uncertainty and trade tensions. Although inflation continued to trend upwards in AEs, it remained quite low, while in the case of EMDEs, inflation remained generally within or below targeted levels.
5. **Just as the previous year had been, 2018 was a challenging year for the domestic economy.** Namibia's real GDP is estimated to have contracted by 0.1 percent in 2018, mainly due to slower activity in the tertiary and secondary industries, although the contraction was not as steep as in 2017. The disappointing performance in 2018 is mainly ascribed to contractions or slow growth in the agriculture, construction, hotels and restaurants, wholesale and retail trade, and public sectors. Robust growth in the mining sector sustained activity in the primary industries during 2018.

- 6. Namibia's average consumer price inflation rate declined in 2018 compared to 2017.** The inflation rate averaged 4.3 percent in 2018, lower than the 6.2 percent recorded in 2017. The lower inflation was largely reflected in housing, food and non-alcoholic beverages, whereas inflation for transport rose during the year under review.
- 7. During 2018, the Bank of Namibia Monetary Policy Committee (MPC) continued with its relatively accommodative monetary policy stance to support domestic growth and safeguard the exchange rate dispensation.** The MPC kept the Repo rate unchanged at 6.75 percent during 2018 in order to support domestic economic growth, which remained weak, and to simultaneously safeguard foreign reserves in order to maintain the one-to-one link between the Namibia Dollar and the South African Rand.
- 8. On the fiscal front, the overall deficit is estimated to have narrowed both in nominal terms and as a ratio to GDP during 2018/19.** The 2018/19 Central Government deficit as a percentage of GDP was estimated at 4.4 percent, lower than the 4.8 percent deficit recorded in 2017/18. This was mainly due to firm control over expenditure. Total government debt as a percentage of GDP increased to 45.1 percent at the end of December 2018.
- 9. In 2018, Namibia's external position improved as a result of a smaller current account deficit.** Namibia's current account deficit narrowed further by 55.5 percent to N\$4.1 billion (2.1 percent of GDP) during 2018 compared to 5.1 percent of GDP in 2017. The improvement was mainly attributed to narrowing in the merchandise trade deficit as a result of an improvement in export earnings, coupled with increased receipts on the services account and a slowdown in imports. Further, the real effective exchange rate on average appreciated during 2018, and this implies that Namibia's external competitiveness weakened somewhat during 2018 compared to the previous year.
- 10. The level of international reserves held by the Bank of Namibia rose by 2.8 percent over the year to N\$31.0 billion at the end of December 2018.** The rise in reserves was partly due to inflows of SACU receipts and the second tranche of the Africa Development Bank (AfDB) loan to the Government. The reserves were estimated to cover 4.5 months of the country's imports of goods and services, which was slightly higher than the 4.4 months recorded at the end of 2017.

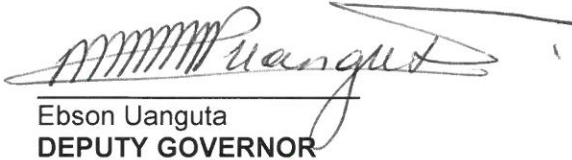
ASSESSMENT OF THE BANKING SECTOR

11. Despite the prevailing weak economic condition, the Namibian banking sector's performance remained sound during 2018. All banking institutions remained adequately capitalised, with enough buffers to cushion against any banking risks. The banking sector liquidity situation was fair and stabilised due to the availability of more funds in the system by virtue of Government payments and regulatory changes on domestic asset requirements for institutional investors. Due to tough domestic economic conditions, asset quality measured by nonperforming loans (NPLs) of the banking industry relative to total loans deteriorated to 3.6 percent, compared to 2.5 percent a year earlier. However, this ratio remained within the benchmark of 4.0 percent.

CONCLUSION

12. Finally, the achievements noted in the Annual Report have been made possible through the invaluable contributions of the Bank's staff and Board, as well as the unwavering support from the Bank's stakeholders. The media and the public at large are encouraged to read the entire report, which is available upon request and can also be accessed online at:

<https://www.bon.com.na/Publications/Annual-Reports.aspx>



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