

Introductory remarks by Mr. Johannes !Gawaxab, Governor of the Bank of Namibia at the CMA Governors' Meeting hosted by the Bank of Namibia, on Friday, 7 July 2023, SWAKOPMUND.

Esteemed CMA Governors and delegates.

1. I would like to extend a warm welcome to you, once again, to the picturesque and architecturally rich town of Swakopmund and to the second meeting of the CMA Governors for 2023.
2. To set the tone for the rest of the deliberations, we must reflect on where we left off during our last meeting in Maseru, Lesotho, and develop clear action plans to deliver on our strategy. On the agenda this morning, we will reflect, amongst others, on the implementation of the strategy of the CMA and receive updates on cross-border payments, exchange controls, and financial stability in the CMA.
3. Governors, the world is facing near stagflation. Geopolitical fault lines are clearer than ever before. The war between Russia and Ukraine is ranging on unabated, while competition and tension between the superpowers – US and China – are intensifying. Policymakers are facing a unique constellation of challenges. On the one hand, central banks all over the world have been fighting to bring inflation back under control: prices are rising too fast, albeit decelerating in most recent times. On the other hand, financial vulnerabilities are widespread. Each of these challenges – inflation and tight financing conditions, by itself would be difficult to tackle; their combination is a daunting challenge.
4. Understandably, there is growing concern among the public regarding the persistent cost of living challenge. We have been decisive and remain committed to our mandate to combat inflation. Headline inflation in the CMA remains elevated and averaged 6.4% for the first quarter of 2023, but the nature of the inflation challenge is changing. We are seeing a decline in the inflation rate as shocks that drove up inflation wane, and our monetary policy actions are transmitted to the economy. We are not out of the woods yet, but inflation expectations appear to be anchoring. I have no doubt that we will all stay the course to bring inflation down to where it belongs.
5. Governors, we need to take note of debates around currencies and de-dollarisation. The dominance of the US Dollar as a reserve currency has become topical again. Many are mooted alternative currency regimes for international trade. We all are familiar with the idea of the exorbitant privilege of the US Dollar. One of the key arguments for the

exorbitant privilege is that the USA is able to run persistent trade deficits without experiencing the same consequences as other countries. This is because other countries are willing to hold US Dollars as a reserve asset, which increases the demand for US dollars in the international market. The US is able to borrow at lower interest rates than it would be able to otherwise since other countries are effectively subsidizing its debt.

6. Alternative currencies, such as the BRICS currency or a continental currency for Africa, are also mooted. Any alternative reserve currency needs to satisfy the criteria around convertibility, liquidity, rule of law, and deep capital markets. The fact that the oil is priced in the USD is another key consideration in this debate. We are following the debate around alternative currencies, knowing that a lot of water will have to flow into the ocean before the status quo changes. The transition to a new reserve currency, if it happens, is a slow process, much like a snail's race.
7. Another debate that ranges around currencies is about an African currency. To achieve this, we know that macroeconomic convergence is a prerequisite. To achieve this noble objective, we need similarities in inflation, debt levels, fiscal policies, and banking rules to mention but a few.
8. Governors, the weakness of the Rand in most recent times has led to intense debates in countries participating in the CMA. The spillover effects have been acute as most of our smaller countries are net importers of goods and services. We shouldn't shy away from pointing this out and reflect on mitigating strategies in light of the direct but varied impact in each of our countries. Whilst acknowledging these concerns, it is the considered view of the Bank of Namibia that the benefits of its membership in the CMA outweigh the costs.

I thank you.