

TALKING POINTS BY THE GOVERNOR OF THE BANK OF NAMIBIA MR. JOHANNES !GAWAXAB, AT THE STAKEHOLDER ENGAGEMENT ON THURSDAY, 3 JUNE 2021, SWAKOPMUND, NAMIBIA

Director of Ceremonies,
Hon. Neville Andre, Governor of the Erongo Region,
Representatives of political formations and civic society,
Captains of Industries,
Distinguished invited guests,
Members of the Media,
Ladies and Gentlemen,

Good evening,

- 1. It is a pleasure for me to be in the Erongo region today to meet with the local leadership and business community to discuss and exchange views on urgent and pertinent economic matters facing the Erongo region and the country at large.** The Bank places a high value on stakeholder engagements as a means of achieving its strategic objectives. Stakeholder events such as these, serve as a platform that aims to build, strengthen, and maintain sound relations between the Bank and its esteemed stakeholders. But importantly, it also provides an opportunity for us to understand each other's roles and mandates. At the onset, I would like to thank the Hon. Governor and all the invitees present for honouring our invitation to be here tonight despite your busy schedules, which attest to the importance you attach to this engagement. I am glad to note that in our midst we have a wide variety of stakeholders, from across many important sectors in the Erongo region.
- 2. Given the many operations in mining, the blue economy, logistics, services and tourism, the Erongo region has secured its place as a pillar of our economy.** Our discussion tonight should focus on measures to maximize and grow the Erongo region's ability to contribute to the economy and national objectives. As a result, my speech this evening will center on three things; first, it would highlight the central bank's role in economic development; second, shed light on some recent legislative changes pertinent to our mandate as a central bank; and finally, provide some perspectives on what is expected of you as stakeholders, to support the much anticipated rapid economic recovery.
- 3. Ladies and gentlemen, since independence, the Bank has been and continues to be committed to delivering on its mandate of ensuring price and financial stability, while supporting economic**

growth and development. This is evident in the evolution of the rate of inflation which has been sustainably brought under control and lately interest rates have been at their lowest since independence. In relation to financial stability, Namibia's financial sector remains well-regulated and is therefore sound and stable. Overall, it is safe to conclude that the financial sector in Namibia is resilient, despite the challenging economic environment exacerbated by the COVID-19 pandemic.

4. **However, the roles of central banks are evolving, and accordingly in Namibia, the Bank of Namibia Act was amended, and the Bank's mandate expanded to reflect this reality.** The new Bank of Namibia Act 2020, (Act No. 1 of 2020), repealed the Bank of Namibia Act (Act No. 15 of 1997) and the Bank of Namibia Amendment Act (No. 11 of 2004). The new Act expanded the mandate of the Bank by assigning the functions of macroprudential oversight of the financial system to the Bank. In this regard, the Bank's role is a delicate one, which must tread between ensuring price and financial stability on the one hand and support development and economic growth, on the other hand. The Bank must constantly balance these objectives. An over-emphasis on financial stability and a too conservative approach may stifle economic growth and development and cause financial instability over the long term, while the opposite is also true where too much focus on growth outcomes may cause serious financial instability over the medium to long term.
5. **Ladies and gentlemen, while there is much to be proud of in terms of our country's achievements since independence, we are not oblivious to economic challenges - a situation accentuated by Covid-19.** Over the years, Namibia has grappled with the high unemployment rate and income disparities, a situation that has been worsened by the economic ripple effects of the COVID-19 pandemic. Indeed, Namibians together with the rest of the world have been going through unprecedented and difficult times since the outbreak of the pandemic. Many people have lost their jobs, which pushed household incomes to low levels, and thus further aggravated the economic slowdown triggered by supply constraints.
6. **As things stand, the real GDP contracted by 8 percent last year.** Factoring in population growth, in 2020 per capita real GDP fell by nearly 10 percent – 9.7 percent to be exact. Numerous jobs were destroyed, and businesses paralysed or bankrupted as a result of Covid-19. At the same time Government debt escalated from 56 percent of GDP in March last year to 63 percent in March this year and is headed for 77 percent by March 2024 – way above the SADC convergence limit of 60 percent. Many businesses and individuals in distress have been granted repayment holidays thanks to the efforts of the Bank of Namibia and the financial sector – but eventually all those loans have to be repaid.

Another hard lockdown will undermine that possibility, increasing Government debt further and throw more jobs and businesses off the cliff.

- 7. To reverse the negative impact of Covid-19 on the economy will take time.** For mining and agriculture, for instance, activity shows signs of recovery while the tourism sector is still awaiting the return of international tourist. I need to remind everyone that vaccination policy is economic policy. For the economy to recover, we need successful vaccination, investments and stability of the financial sector. To contain the pandemic, Government had to incur significant expenses and this has undone the good work done around fiscal consolidation and our public debt is currently on an unsustainable path. So, the debt problem has been amplified by the pandemic. The debt challenge is not only caused by borrowing but lack of growth – as growth declines, the size of the debt increases – exchange rate depreciation and interest rate shocks.
- 8. While business activity is constrained in this manner, demands for salary increases as we have seen of late in some sectors, are ill-advised.** While I share the plight of those demanding such salary increases, my view and advise is that perhaps it is not the appropriate time to demand such as many corporates and the government are under severe Covid -19 induced financial strain. The economy shrank by 8% in 2020, many people lost jobs, some had to take pay cuts, many small companies had to close and our public wage bill is a challenge. Now is the time for nation building.
- 9. Ladies and gentlemen, what should remain of interest and be prioritised at this point in time, is a universal vaccination.** We need to pre-occupy ourselves salvaging the economy by prioritising vaccination across the country, particularly for elderly people, people with co-morbidities and people whose jobs entail a lot of contact with other people. While vaccination will remain voluntary, a high level of vaccination of these vulnerable groupings will dramatically reduce severe disease and mortality and facilitate a return to economic activity that is not impaired by the pandemic.
- 10. It goes without saying that Namibia needs to fast-track economic growth to address the socio-economic challenges.** I am convinced that there is an opportunity for the Namibian economy to transform through economic diversification, improved productivity and enhanced resource allocation to productive sectors so that it becomes competitive. We are acutely aware that Covid-19 affected both demand and supply in the economy. Small initiatives have had a big impact in the past in this regard. Small changes can make a big difference in helping Namibia's economy get off the ground. While we

do understand that the country needs some external injection due to the strained financial position of many Namibian businesses and individuals, there are certain things we can do that are within our control.

11. How do you do that? We must explore import substitution, export promotion, and investment as realistic policy options. For starters, all Namibians can help to change our fortunes by simply supporting local businesses as much as possible. A conscious effort to find local suppliers by businesses to replace a tiny fraction of their imported inputs could have a positive impact on the economy. This would help to create much needed employment in the local economy and boost overall aggregate demand. Furthermore, in terms of agro-business and agro-processing, there is a lot of untapped potential. Despite popular belief that Namibia is an arid country, the country continues to underutilize its water resources, limiting Namibia's capacity to cut imports and boost food exports. Namibia should be able to extract more value from its mineral riches, as well as our tourism potential. More investments are needed in Namibia to ensure that it realizes its full potential. The recent establishment of the Namibian Investment Promotion and Development Board is a gamechanger in this regard and will help to market Namibia as a desirable investment location. However, we cannot entrust this monumental task to a single entity. In this sense, all Namibian businesses and other institutions must act as ambassadors for the country by consistently promoting Namibia through daily and regular meetings with potential investors.

12. With the Harambee Prosperity Plan II and its speedy implementation the future looks bright. Sticking to our policy plans as for instance spelled out in the recently released Harambee Prosperity Plan II and making sure it is implemented with an appropriate degree of urgency, will bring the much-needed economic recovery. At the micro level, every Namibian should contribute towards these goals by doing his or her job expeditiously and with pride and dedication. It is understandable that many people and businesses are caught in a difficult situation and not able to see any positive prospects for the future. While this is the case, the economy will remain stuck in a hole. I plead with you tonight to try and actively find that silver lining on the horizon and act accordingly. We need your energy and positivity to move the country forward.

Ladies and gentlemen,

13. Let me turn lastly to some developments within the operational domain of the Bank. Digitalisation and the proliferation of mobile and internet-based services has transformed the way we trade and do transactions seamlessly. Likewise, these very same platforms have, however, made it more

comfortable for unscrupulous scammers to take advantage of people's financial desperation by luring them into participating in illegal financial schemes most known as pyramid schemes, where people have lost their already scarce financial resources and sometimes their very last life savings. The Bank of Namibia is concerned about the mushrooming of these illegal financial schemes and is duty-bound to protect Namibians from them. In this regard, the Bank has ramped up its public education campaign on all platforms warning consumers to be vigilant and not to fall prey to such scams.

14. Similarly, there has also been a growing interest from the public regarding crypto currencies.

The Bank has observed traders promising high returns or collecting funds from the public to trade on their behalf as well as training opportunities offered on trading platforms and would like to warn the public to continue to be vigilant and careful about this, as these activities contravene applicable laws. The Bank's position remains that it does not recognise, support, or recommend the possessing, utilisation and trading of cryptocurrencies in Namibia. Hence, members of the public who participate in such online based platforms and instruments do so at their own risk and do not have any recourse to the Bank in the event of financial loss or misfortune. Members of the public are also reminded that these platforms have the potential to be used for criminal activities, including money laundering. While we are mindful of the rapid advancements in digital technology and the evolving global financial architecture, the Bank shall always ensure financial integrity is not compromised through the introduction of new innovations and products into the local market. We need to remember that crypto assets are without fundamental value. They are highly volatile and lack transparency. During the month of May 2021, many crypto currencies lost almost a third of their value in one day before recouping some of the losses. We are doing work around crypto assets and should soon be in a position to make further pronouncements around it.

15. In conclusion, it is evident that the Bank can contribute immensely to the economic development agenda of the country. In this regard, the Bank can help the economy gravitate towards achieving its highest growth potential through a combination of timely economic policy advice, and discharge of appropriate monetary policy and financial stability mandate. In the execution of this mandate, the Bank needs to actively listen to stakeholders - your inputs are instrumental in securing an economic recovery. I therefore trust that this engagement shall build a stronger Namibian economy based on improved fundamentals.

I thank you.