



Bank of Namibia

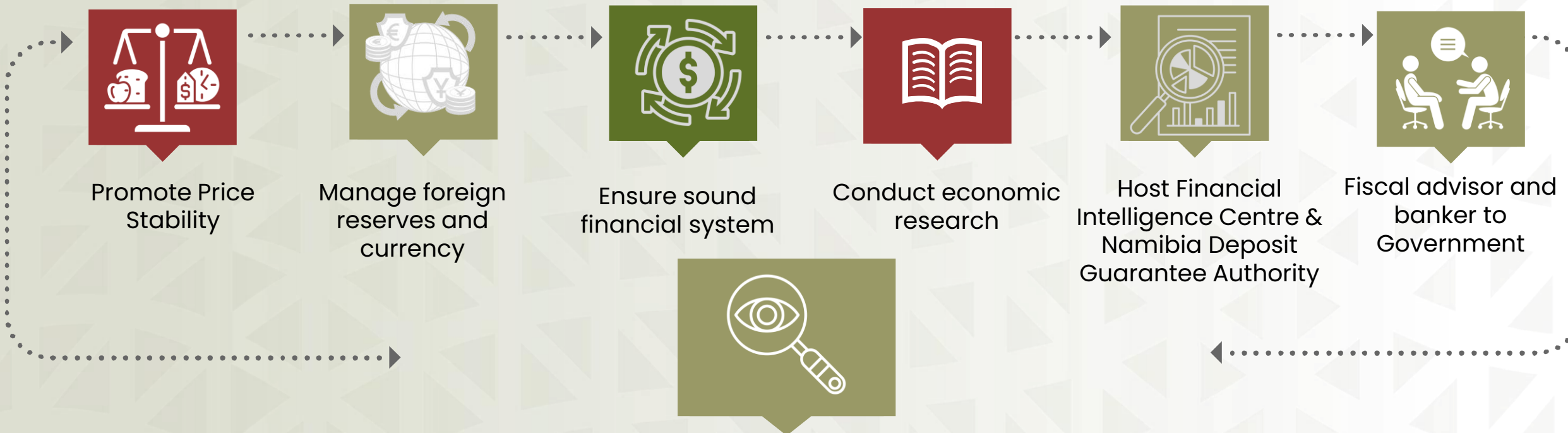
Youth in Focus: Monetary Policy Explained

Presented by
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Date:
August 16, 2023

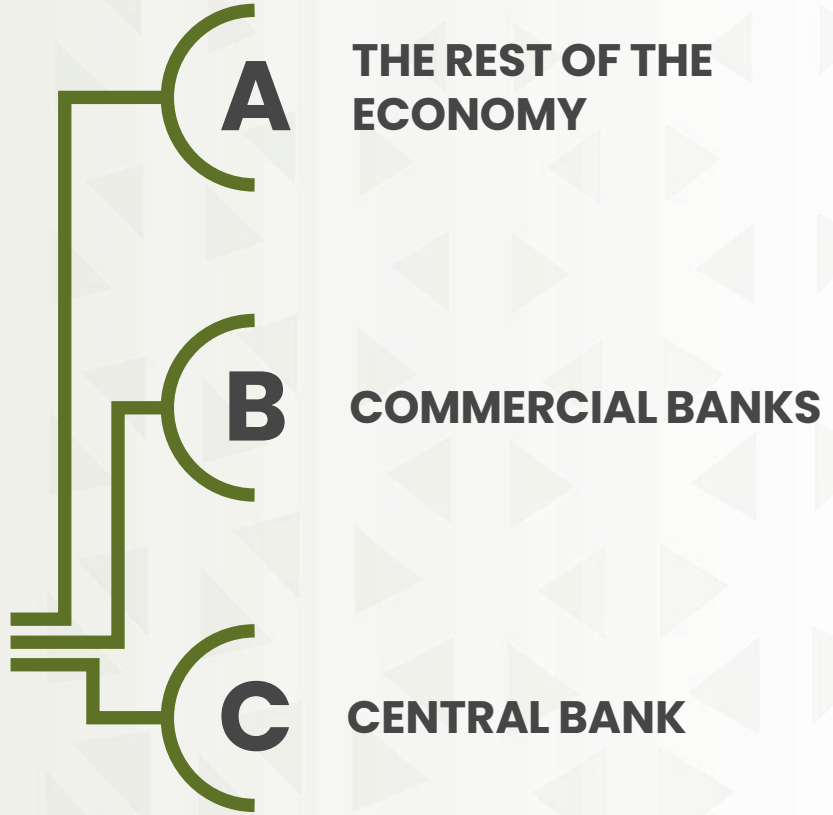


What Does The Central Bank Do?



Macroprudential oversight (economic & financial market development in Namibia);
Bank of Namibia Act No. 1 of 2020, Section 73

Where does the central bank fit?



Functions of the Bank



01

**Issuing notes
and coins**

02

**Banker to the
banks**

03

**Conduct of bank
supervision**

04

**Formulating and
executing
monetary policy**

05

**Management of
foreign exchange
reserves**

06

**Exercise of
exchange control**

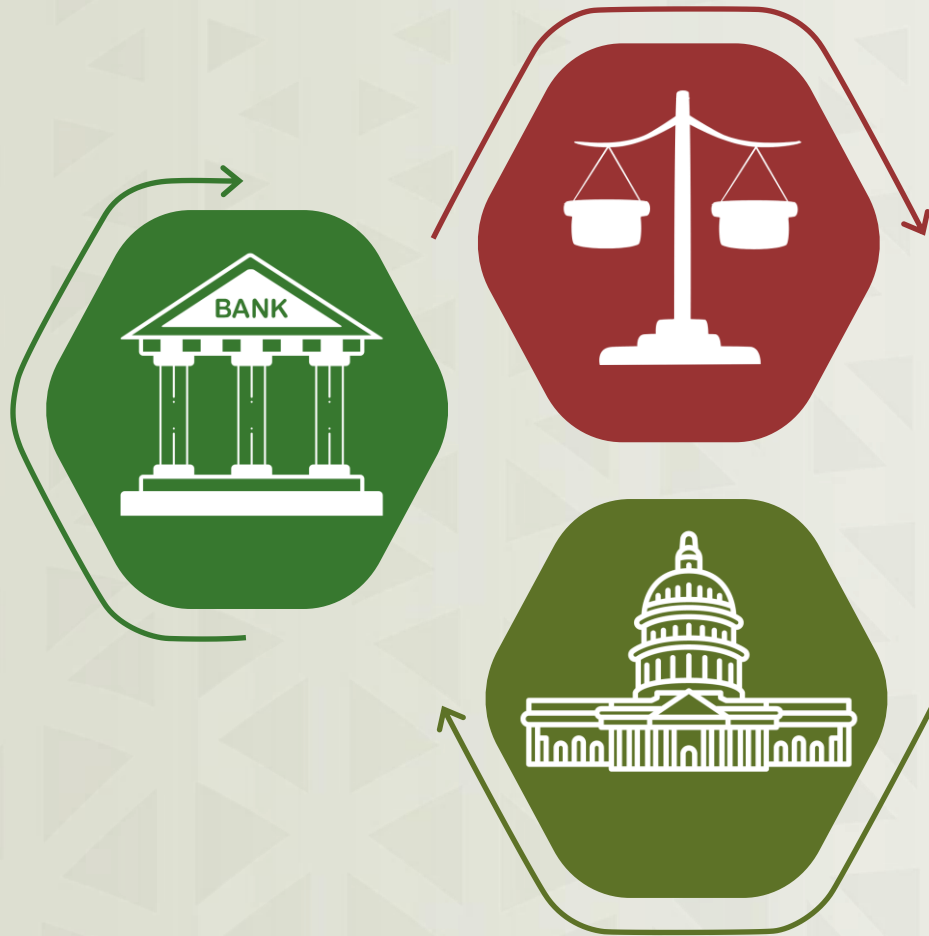
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**Government
banker, agent
and adviser**

08

**Financial
stability**

What is Inflation?



- Inflation refers to a general increase in the overall price level of goods and services in an economy over a given period, usually over one year.
- Inflation is typically expressed as an annual percentage rate.
- Inflation results in a decrease in the purchasing power of money, as each unit of currency buys fewer goods and services due to the rising prices.

Monetary Policy Formulation



Monetary Policy Formulation



BoN repurchase rate
Open market operations
Buying/selling of foreign
currency

Low inflation
Stable exchange rate

Monetary policy in Namibia is set by
the BoN's Monetary Policy Committee
(MPC), consisting of the Governors
and senior officials of BoN

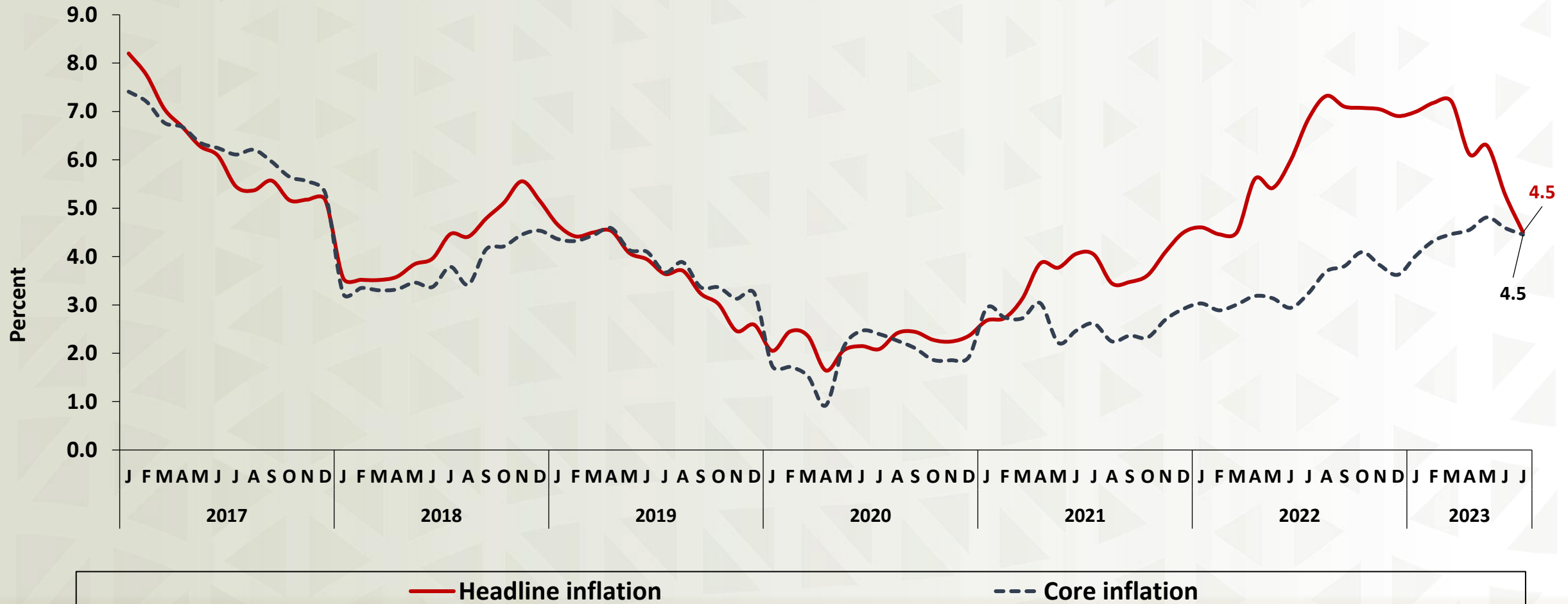
Detailed analyses and forecasts are
presented to the MPC by the
Research and Financial Stability
Department and by the Financial
Markets Department

The MPC's degrees of
freedom are constrained by
the need to maintain the 1:1
exchange rate with the Rand

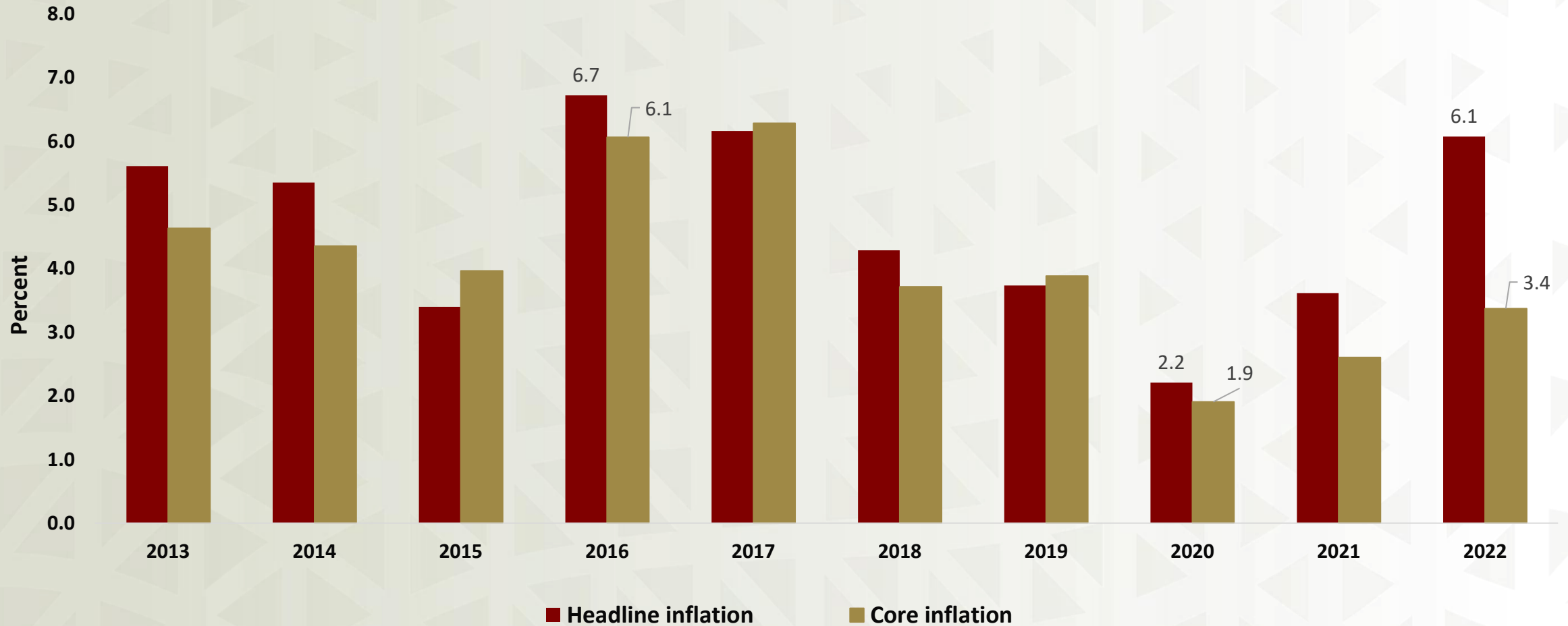
The MPC normally meets 6
times per year, primarily to
decide on an appropriate level
of short-term interest rates

Close attention is paid to global and
domestic economic and financial
conditions, Namibia-SA interest rate
differentials, and the adequacy of
Namibia's foreign exchange reserves

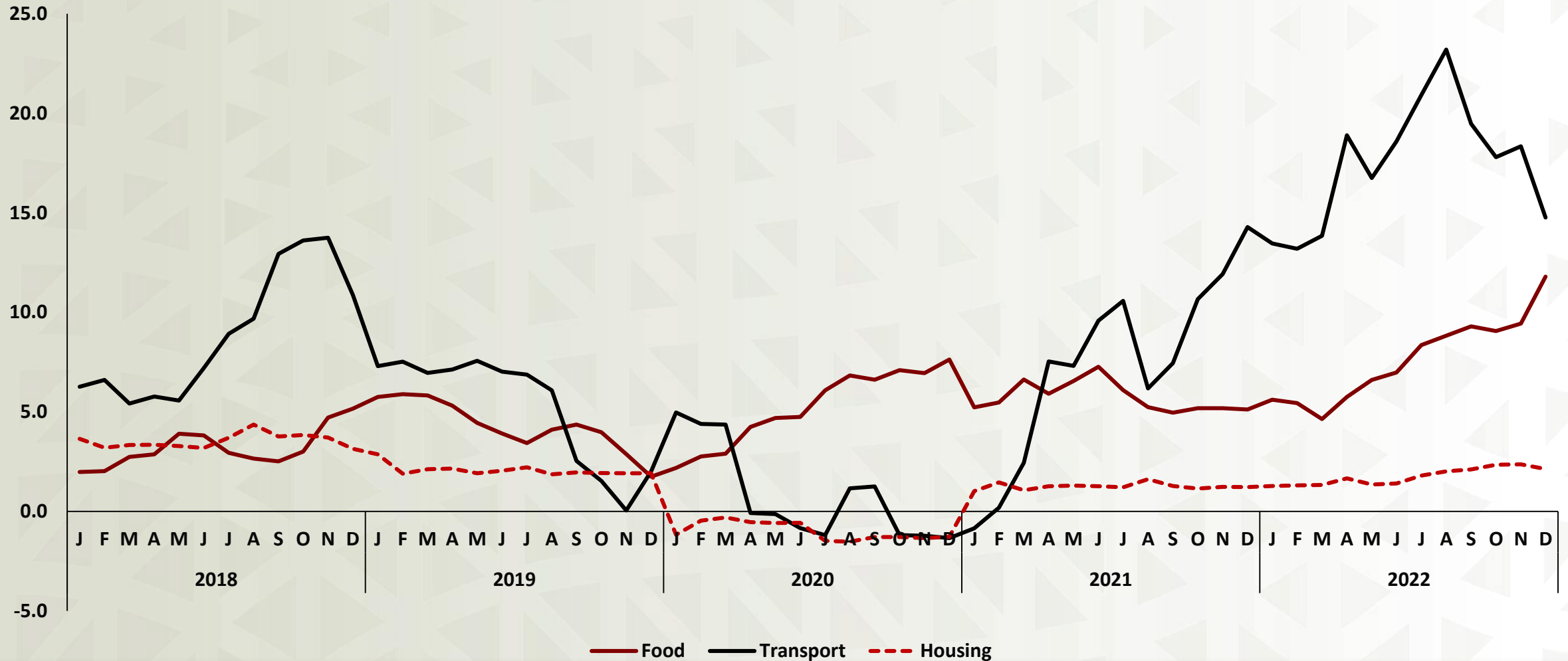
Headline and Core Inflation



Headline and Core Inflation



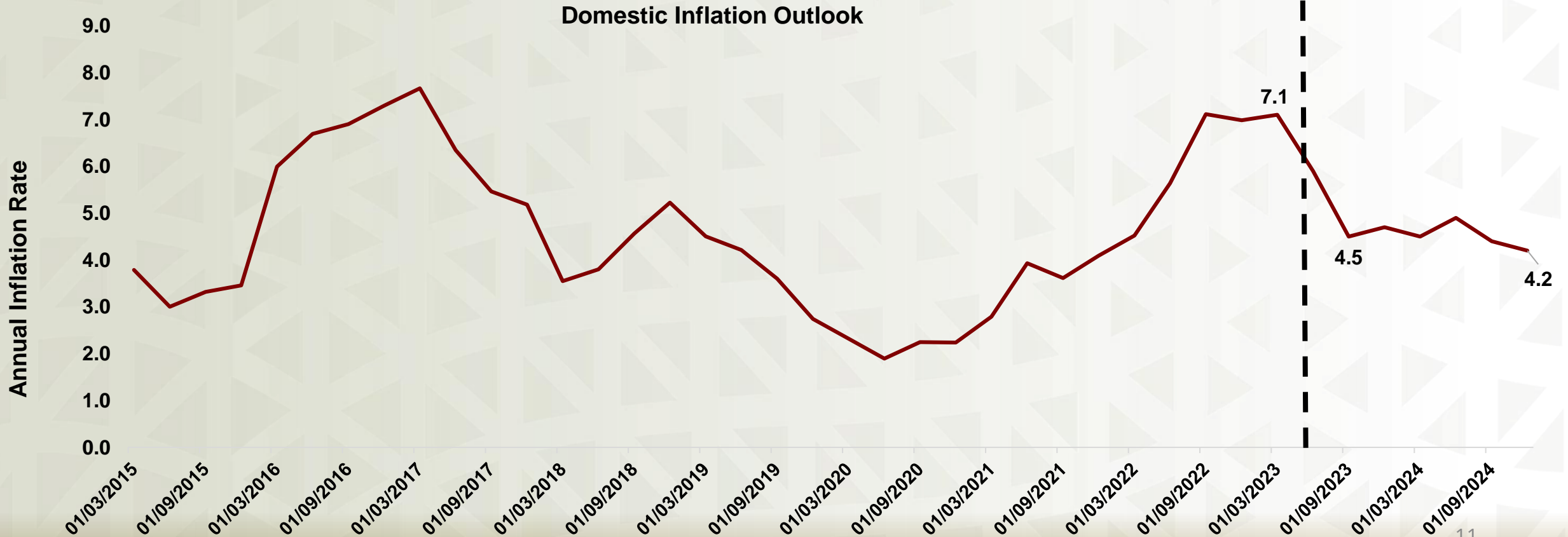
Food, Transport & Housing Inflation



Inflation Outlook



Headline inflation is expected to average 5.6 percent in 2023 and 4.5 percent in 2024, from 6.1 percent in 2022



Inflation



"Inflation is the one form of taxation that can be imposed without legislation."

Milton Freedman



Monetary policy involves adjusting interest rates and money supply to influence economic activity and inflation.

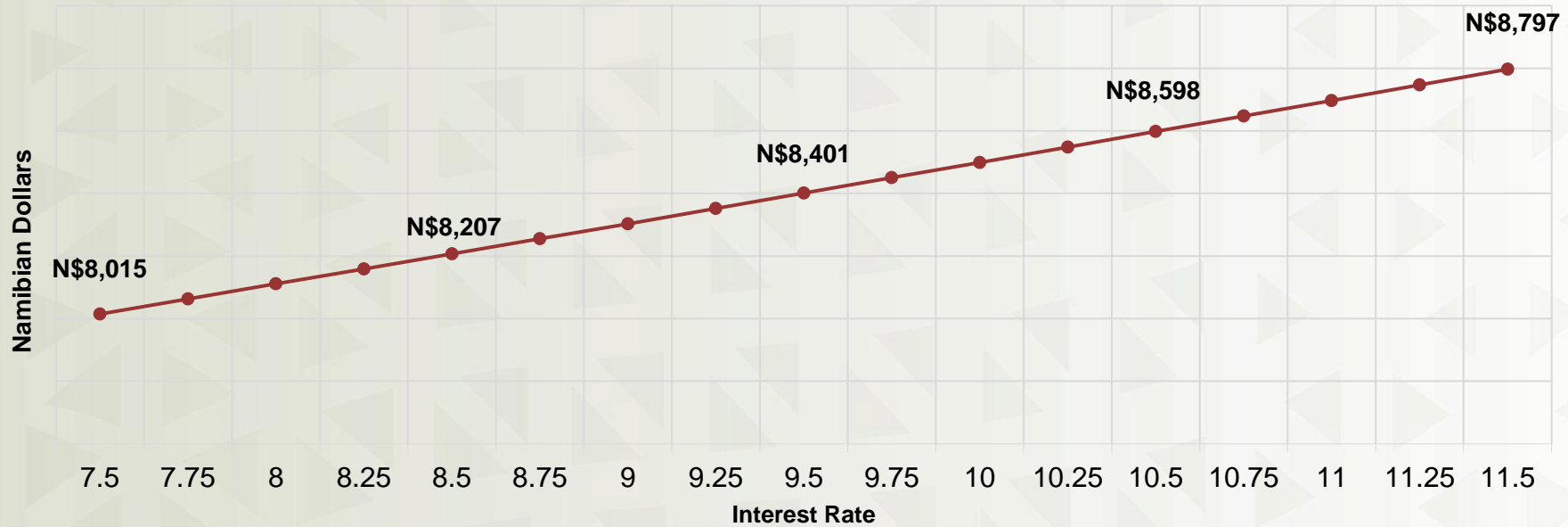
Decisions made by the MPC have far-reaching consequences.

It's not a panacea for all economic issues, and it can't address supply-driven inflation caused by external factors.

When interest rates are adjusted, these changes ripple through mortgages, loans, investments, food prices, and fuel costs.

What is Monetary Policy?

Example: Loan Repayment



- Monthly instalments for Vehicle loan of N\$400,000 when the prime interest was 7.50% would be N\$ 8,015.
- At a prime interest rate of 11.5%, monthly repayments would increase to N\$ 8,797.



Monetary policy involves adjusting interest rates and money supply to influence economic activity and inflation.

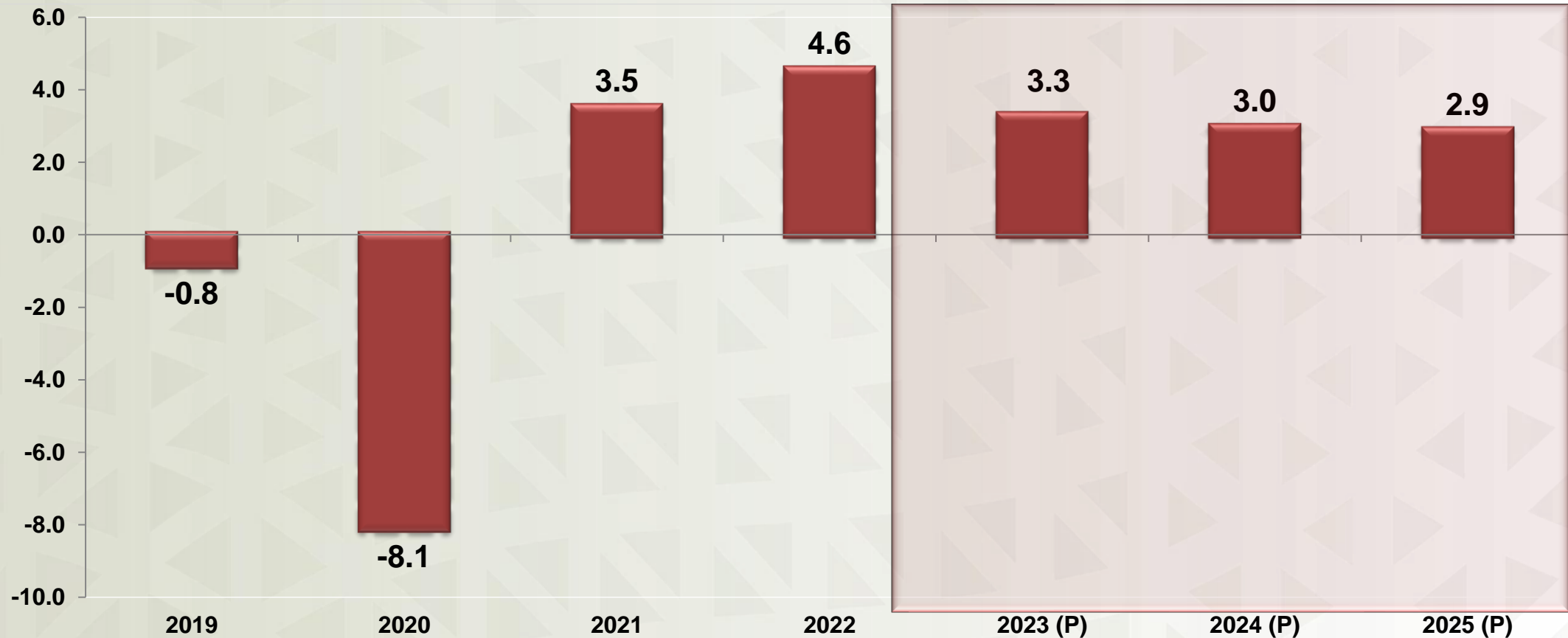
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What is Monetary Policy?

Economic Outlook



- GDP growth to slow to 3.3 percent in 2023, mainly due to weaker demand - high inflation & interest rates affecting consumer spending power.



Conclusion

"The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic."

– Peter Drucker