Media Release

Bank of Namibia

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FOR IMMEDIATE RELEASE

NAMIBIA IS NOT CONSIDERING DE-LINKING FROM SOUTH AFRICAN RAND

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1. The Bank of Namibia has become aware of reports circulating online, which asserts that Namibia is considering exiting from the currency peg arrangement (one-to-one link between the Namibia Dollar and the South African Rand) that is established as part of the Common Monetary Area Agreement. The reports ostensibly stem from remarks made by the Hon. Minister of Finance, Calle Schlettwein, in a wide-ranging interview with a journalist for an international news outlet.

2. The Bank of Namibia wishes to place it on record that Namibia is presently not weighing such an option, as the current arrangement continues to be beneficial to Namibia, as a small, open economy.

3. The Bank has consistently, as part of its mandate and as the organ responsible for the implementation of the exchange rate arrangement, made it known that it conducts assessments on the sustainability of the current arrangement from time to time. These assessments continue to inform its policy advice to Government on this matter, as it relates to any future options that may be considered if and when the peg becomes unmaintainable.

4. These assessments have concluded that the benefits from the current fixed exchange rate arrangement between the Namibia Dollar and the Rand outweigh the costs and delinking is not an option as it could negatively impact Namibia in the following ways:

- **High Inflation:** Inflation in Namibia is generally lower than the average inflation in Sub Saharan Africa. This benefit is largely attributed to the fact that through fixing the Namibia Dollar to the Rand, Namibia imports low inflation from South Africa. Hence, delinking could compromise this benefit and lead to high inflation.

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Transaction Cost Payments: Namibia's current trade structure shows that about 60 percent of goods in Namibia are imported from South Africa, and unless this structure changes, the peg arrangement with the Rand continues to save the country substantive transactional costs. Presently, Namibians who import goods from South Africa do not incur transaction costs, which would be the case if the Namibia Dollar was not linked to the Rand. Imports from South Africa are thus presently less expensive than they would have been if the Namibia Dollar was delinked.

- **Easier tourism, travel and trade:** Tourism, travel and trade between Namibia and South Africa is boosted in both directions due to the absence of an exchange rate risk. Overall, this has a positive impact on the economy.

5. In this connection, it is the Bank's firm view that the peg remains in the best interest of Namibia. The current arrangement continues to achieve the primary objective of price stability, through a peg exchange rate regime with an ultimate aim of promoting economic growth and development. In this regard, the Bank and the Ministry of Finance both believe that no other arrangement will deliver better on this overriding objective at present than the current arrangement.

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