

Your Excellency, the Honourable Minister of Finance, Mrs Sara Kuugongelwa
Your Excellency, the Governor of the Bank of Namibia, Mr Tom Alweendo,
Cde Evilastus Kaaronda, Secretary General of NUNW,
Dr Joel Eita, Senior Researcher at NEPRU,
Members of the Media,
Ladies and Gentlemen,

It is indeed a privilege and a pleasure to welcome you all on behalf of the organisers of today's breakfast meeting, which aims at looking at current macroeconomic policies here in Namibia, monetary policy in particular.

Unfortunately, I have to start my brief introduction with an apology.

I have to apologize for our traditional partner in this type of event, the Namibia Economic Society (NES), which due to unforeseen circumstances was not able to send an official representative to share with me the task that I am having here today.

The task is to introduce into the topic of the meeting and to welcome our distinguished panellists, and I want to start this by asking the question, why are we here today?

Essentially we are here today, because interest rates in Namibia have gone up over the last one and a half years in a manner which some would qualify as drastically or dramatically. *The Bank of Namibia has raised their bank rate seven time since June 2006 by altogether 350 basic points or 3,5 % from 7% to currently 10,5% after the latest hike by 50 basic point last month.* This represents a relative increase of 50% in the price at which commercial banks in Namibia can lend from their central bank - 50% in just 15 months. To the ordinary citizen this becomes a problem when the banks start passing on these price increases to their clients, which they, of course, do, to the borrowers of money (while savers rarely see interest rate hikes passed on them quickly, let alone entirely for their deposits).

Many people, who have taken out housing loans at variable interest rates, when money was still cheap, or who regularly rely on overdraft on their bank account feel the heat. They have to rearrange their repayment schedule with their banker, or even sell their assets. At the very least, their disposable income, after having paid the bank, has shrunk, leaving them with sometimes much less or even no money in their pockets to spend on essential consumer goods.

For the Namibian economy as a whole, rising and high interest rates ultimately also may become problematic as they filter through to the *real economy*. Some sectors like construction, real estate or retail are likely to be particularly affected. Through reduced consumer spending and reduced investment higher interest rates are also likely to have a negative impact on overall economic growth as well as employment and through this on the overall poverty situation in Namibia.

So, if this is true, if interest rate hikes make life miserable for many citizens and if these measures are not really conducive for economic development – at least in the short term – why is this all happening? Why is the Bank of Namibia raising its interest rates?

Of course it is no secret that the BoN is using interest rates as a policy tool to ensure the internal and external stability of the Namibian currency. Although, to my knowledge, Namibia doesn't have any explicit inflation targets, current monetary policy tries to curb inflation and to fight inflation expectations, to improve price stability as the purchasing power of consumers in this country has been eroded over the past months mainly by food price inflation and the rise in international fuel prices, with oil prices that have just hit a record high of 92 USD a barrel some days ago.

The question then is, is the bank doing the right thing by increasing interest rates or would there be any alternative measures to combat inflation, equally or even more effective, but perhaps less painful to ordinary citizens? Has the bank gone a step too far by its latest rate rise, or, to the contrary, do we still have to expect more rate rises, and also more pain, before things can start improving again?

If we talk about alternatives to the current interest rate increases or the lack thereof, the discussion also has to touch upon the fact that Namibia is a member of the Common Monetary Area (CMA), which – at least economically – is lead by South Africa. In actual fact, the rise of BoN's bank rates always followed equal rises in the repo rate of the South African Reserve Bank. This means as a small economy whose currency is pegged to that of the economic giant in this region, Namibia doesn't seem to have any autonomy in its monetary policy. Or is there autonomy? And if so what degree of autonomy is there? And what are the likely costs and benefits of testing or extending the limits of this autonomy? This and many other questions might also come up.

I am very thankful that my task today is to only raise some of these questions, but not to answer any of them.

For this, we are very lucky to have here today people that are much more qualified and much better placed than I am, to answer my and your – the audience’s - questions and engage in a lively debate on the way forward.

First of all it is my particular honour and privilege to welcome among us no other than Honourable Minister of Finance, H.E. Mrs Sarah Kuugongelwa-Amadhila to deliver the keynote address to us and inform us what the Namibian Government’s fiscal policy is doing in the current environment of higher inflation and restrictive monetary policy to maintain economic growth and development. Thank you very much, Madame, for joining us today and sharing your views with us on that.

I am equally delighted to welcome the Governor of the Bank of Namibia, Mr Tom Alweendo, to give us more clarity about the Bank of Namibia’s current monetary policies. Also to you, Sir, thank you very much for joining us today and sharing your views with us on that.

We then have Dr. Joel Eita, who has recently joined NEPRU, Namibia’s economic think tank as Senior Researcher who will give us a research perspective on the current interest policy. Also, welcome and thank you, Dr. Eita for making yourself available for this debate.

Last, but not least, I want to welcome Mr Evilastus Kaaronda, the Secretary General of the National Union of Namibian Workers (NUNW). I am also very grateful that you are here today to give us a worker’s perspective, a perspective of those that suffer from higher interest rates, but also those that suffer from higher consumer prices, an ill which monetary policy is trying to cure by raising interest rates – and you may not like the medicine. I am looking forward to your contribution, which – I am sure – will lead us into a lively, animated and controversial debate.

With this short welcome to our panellists, Madame Chair, I have basically completed my task, except to once again welcome all of you on behalf of the organizers, and now, over to you Madame Chair!

I THANK YOU!