



Briefing to the members of parliament on the recently concluded IMF Article IV Consultations

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Honourable Members of Parliament

Good Afternoon.

Allow me to brief you on the recently concluded Article IV consultations ^{with} ~~by~~ the International Monetary Fund (IMF). As a practice, every year the IMF undertakes this exercise on all its member countries and the purpose of these consultations ^{are} ~~was~~ to review recent economic developments, identify risks and vulnerabilities to domestic and external stability, and suggests policy options to mitigate them. ^{of respective economies}

This year the consultations noted that Namibia's economy experienced robust growth since the global financial crisis ^{and projects economic growth of 5% for the current financial year}. Moreover, price stability has been maintained, supported by the fixed exchange rate regime. Robust private

sector consumption and investment and the country's supportive fiscal policy have helped to sustain jobs and growth in the economy.

The report further highlighted that given the above developments, there is increased pressure on the external balance, while real estate prices remain elevated. With the substantial increase in import demand, mainly emanating from infrastructure development of both public and private sector, the trade account deteriorated, and international reserves continue to decline. [The significant rise in house prices over the past years, as already pointed in some of our earlier assessments, is attributed to structural factors, such as urbanization, shortage of supply of housing and serviced land amongst others.

The mission has identified three main policy challenges to the economy ^{namely} high housing prices, low level of reserves and decline in SACU revenue. Honourable Speaker, these challenges are not new ^{as} they have been already identified by the Government ^{during previous years}. In 2011 ^{already} following the Bank of Namibia's symposium on housing ^{already} some measures were taken by Government in order to address some of the weaknesses in the housing market. One of the key risks ^{of} on housing market to the financial sector remains the overexposure of the banking sector to ~~the~~ mortgage loans. This risk has already been identified and appropriate structure and policy actions have been put in place. Measures that have been put in place include the creation of the Financial Sector Stability Committee—which consists of Ministry of Finance, Bank of Namibia and NAMFISA. This committee monitors the vulnerabilities and risks to the financial sector on ^{an} the continuous basis and stress-testing is regularly done to inform appropriate policy interventions. A comprehensive report is published on an annual basis and the recent one was released in June 2015. At the moment I am glad to share with you that despite overexposure of the Banking sector to the mortgage loan the non performing loans have decline and remain low below 4.0 per cent benchmark. Overall, financial sector remain robust and is well capitalised.

On the supply and demand side, Government through the Cabinet Committee on land matters has reported to the steering committee ^{a land sector} ~~the~~ ^{issues}

With regard to the low level of reserves, the Government has also undertaken measures to boost the level of reserves in the medium to long term. Some of the measures taken by government include the “Growth at home” strategy which amongst other focuses on building the productive capacity of the economy through value addition on raw materials. This strategy will culminate in some level of import substitution, which will reduce pressures on the country’s reserves. Also, both my Ministry and the Bank of Namibia are currently working on the research paper which looks into ways of building reserves.

With regard SACU, it is important to highlight that SACU’s receipts remain a significant contributor to both governments’ revenue as well as to the country foreign reserves. Going forward, SACU’s receipt is estimated to decline largely due to slow growth of the South African economy. This reduction of course will have some implication to the budget and reserves going forward and thus appropriate measures are required. But I am glad to share with you that during my Budget statement the beginning of this year some fiscal consolidation--which include expenditure reducing and revenue enhancing measures--were announced and this will help to mitigate risks emanating from such a decline.

Furthermore, Honourable Speaker let me conclude by saying that with the recent global financial crisis the Namibian government through its various structures has continued to monitor developments in the financial sector closely. The robustness of the financial sector is regularly monitored and stress testing is done. And, to further build and strengthen measures already put in place, the Government through the Bank of Namibia has invited the IMF to provide technical assistance to support us in our efforts to establish an effective macroprudential policy framework for Namibia. The objectives of the mission was to provide an assessment of potential risks that may face the Namibian financial system, and provide advice to the Bank on the key issues

related to implementation of an effective macroprudential framework. The mission was successfully completed end of June and a medium term action plan for consideration by the Bank of Namibia, which covers key elements of the macroprudential policy framework, was prepared.

Finally, Honourable Speaker, we are fully aware of the challenges facing the country and appropriate policy actions have been already identified and some already implemented to deal with these challenges.

I Thank You.