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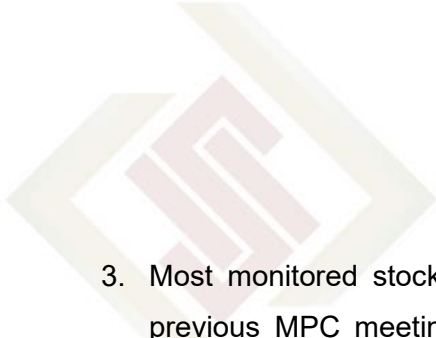
REPO RATE INCREASED BY 25 BASIS POINTS TO 7.00 PERCENT

On 26 and 27 October 2026, the Monetary Policy Committee (MPC) of the Bank of Namibia held its fifth bi-monthly meeting of 2026 to decide on the appropriate monetary policy stance for the next two months. Guided by a comprehensive assessment of the latest economic data and with a view to continue safeguarding the peg between the Namibia Dollar and the South African Rand, the MPC unanimously decided to increase the Repo rate by 25 basis points to 7.00 percent.

RECENT ECONOMIC DEVELOPMENTS

The global economy has remained broadly resilient, amidst the persistent energy price shock. Monitored stock markets recorded losses, while bond yields remained elevated. Most key commodity prices rose relative to their levels at the previous MPC meeting. In addition, inflation intensified in monitored economies, prompting a general shift towards more restrictive monetary policy stances among key central banks.

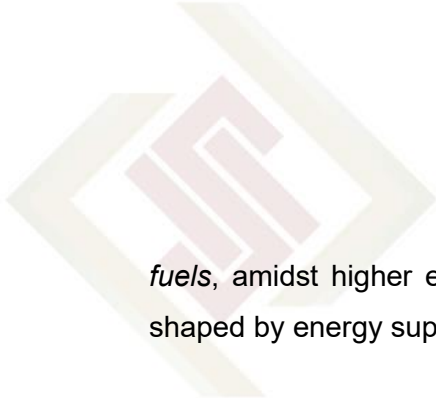
1. Global growth rose moderately on a year-on-year basis across most monitored economies during the second quarter of 2026. The exceptions were the United States (US), China and South Africa, which recorded slower growth rates relative to the first quarter of 2026. On a quarter-on-quarter basis, global growth moderated, reflecting adverse effects of the ongoing energy price shock.
2. Looking ahead, global growth is expected to remain broadly steady relative to the previous outlook. The International Monetary Fund (IMF), in its October 2026 World Economic Outlook, projected growth to slow from 3.5 percent in 2025 to 3.1 percent in 2026, before recovering to 3.4 percent in 2027. Risks to the outlook remain tilted to the downside and include persistent geopolitical tensions, extreme weather events and fiscal vulnerabilities.

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3. Most monitored stock markets generated losses compared to levels recorded at the previous MPC meeting, while bond yields remained elevated. Notably, the S&P 500 declined amidst a recent sell-off in technology stocks, while the Johannesburg Securities Exchange All Share Index was lower due to inflation concerns and monetary policy tightening. Meanwhile, key global bond yields remained elevated, largely sustained by concerns regarding inflation.
 4. Key commodity prices remained elevated since the August 2026 MPC sitting. Accordingly, uranium spot prices increased, ascribed to sustained demand for clean energy amidst supply concerns. Similarly, zinc and copper prices rose, driven by strong industrial demand and tighter supply conditions. Conversely, the price of gold fell over the inter-MPC meeting period, attributed to increased expectations for higher interest rates. Furthermore, rough diamond prices remained subdued, as competition from lab-grown diamonds continue to suppress demand for natural stones.
 5. Crude oil prices surged above US\$100 per barrel most recently, mainly due to elevated tensions in the Middle East. In this context, the Brent crude oil price soared to approximately US\$116 per barrel, the highest in over six months, with adverse implications for both domestic and global inflation in the near term.
 6. Inflationary pressures remained elevated on account of the prolonged negative supply shock. In this regard, annual inflation accelerated across most economies since the previous MPC meeting. Consequently, the IMF expects global headline inflation to rise from 4.1 percent in 2025 to 4.7 percent in 2026 before receding to 4.1 percent in 2027.
 7. In response to rising inflation, monetary policy in key economies was tightened as most central banks raised policy rates at their most recent meetings, including the South African Reserve Bank, the US Federal Reserve, the European Central Bank and the Bank of Japan. The exceptions were the central banks of the United Kingdom, China and Russia, which kept rates steady, while the Central Bank of Brazil cut its policy rate.



Domestic economic activity is projected to remain subdued, while inflation remains under upward pressure. Growth in Private Sector Credit Extension (PSCE) ticked higher, while the trade deficit worsened further. Moreover, the stock of foreign reserves remained adequate to support the currency peg and meet the country's international financial obligations.

8. The Namibian economy is expected to remain under pressure as previously identified risks materialised, specifically the outbreak of the Foot and Mouth Disease (FMD). Nevertheless, growth is still anticipated to improve from 1.7 percent in 2025 to 2.1 percent and 2.8 percent in 2026 and 2027, respectively, due to recoveries in the performance of the agriculture and manufacturing sectors. Other key downside risks to the domestic outlook include subdued global growth prospects and potential El Niño conditions.
9. Inflationary pressures have persisted domestically, thereby disrupting the disinflation trend observed up to March this year. Accordingly, annual inflation accelerated to 5.4 percent in September 2026, 1.0 percentage point above the level observed in June 2026. Year-to-date, inflation averaged 3.8 percent during the first nine months of 2026 compared to 3.6 percent recorded in the same period a year ago. This is primarily ascribed to higher *transport* price inflation.
10. Going forward, domestic prices are expected to remain elevated, with headline inflation projected to increase from 3.5 percent in 2025 to 4.2 percent in 2026 before slightly easing to 4.0 percent in 2027. This forecast represents upward revisions of 0.2 percentage point for 2026 and 0.1 percentage point for 2027, primarily due to the assumption of a prolonged energy price shock.
11. Annual growth in PSCE rose relative to the preceding MPC meeting. In this regard, PSCE growth accelerated to 5.4 percent in August 2026, 0.9 percentage point above the level in June 2026, reflecting higher credit uptake by both businesses and households. Nevertheless, credit growth eased on average during the first eight months of 2026, compared to the corresponding period of 2025.
12. Namibia's merchandise trade deficit widened notably since the previous MPC sitting. The trade deficit deteriorated to N\$33.5 billion during the first eight months of 2026 from N\$17.8 billion recorded in the same period in 2025, as imports surged, particularly for *mineral*

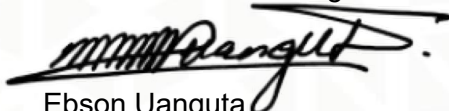


fuels, amidst higher energy prices. Going forward, the trade deficit will continue to be shaped by energy supply disruptions, driven by geopolitical tensions in the Middle East.

13. The stock of international reserves rose to N\$59.3 billion at the end of September 2026 from N\$58.0 billion at the end of July 2026. The rise was mainly ascribed to monetary gold reserve holdings and customer foreign currency placements. This level of foreign reserves translates into an estimated import cover of 3.6 months and remains sufficient to support the currency peg and meet the country's international financial obligations.

MONETARY POLICY STANCE

14. Following a comprehensive review of economic developments and extensive deliberations, the MPC decided to increase the Repo rate by 25 basis points to 7.00 percent, effectively bringing the Prime rate to 10.50 percent. This policy stance is deemed appropriate to safeguard the one-to-one link between the Namibia Dollar and the South African Rand and mitigate against second-round effects induced by high fuel prices.
15. Furthermore, in determining the appropriate monetary policy stance, the MPC considered the need to reduce the interest rate gap between Namibia and the anchor country to stem potential capital outflows and safeguard the stock of international reserves.
16. The next MPC meeting will be convened on 7 and 8 December 2026.



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For the latest staff inflation forecast as reviewed by the MPC, follow this [link](#).