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## REPO RATE MAINTAINED AT 6.50 PERCENT

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On 27 and 28 April 2026, the Monetary Policy Committee (MPC) of the Bank of Namibia held its second 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 indicators and with a view to continue safeguarding the peg between the Namibia Dollar and the South African Rand, the MPC unanimously decided to keep the Repo rate unchanged at 6.50 percent.

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## RECENT ECONOMIC DEVELOPMENTS

Global economic uncertainty remained elevated since the previous MPC meeting, characterised by a sharp increase in energy prices and a markdown in global growth prospects for 2026, alongside an upward revision to the inflation outlook. Key global stock markets have stabilised, while bond yields generally rose. Meanwhile, most monitored central banks adopted a wait-and-see approach to monetary policy setting.


1. The global economy is under pressure stemming from supply-side disruptions and the protracted energy-price shock triggered by the war in the Middle East. Consequently, the International Monetary Fund (IMF), in its April 2026 World Economic Outlook, revised the 2026 global growth forecast downward to 3.1 percent, from a previous forecast of 3.3 percent. For 2027, however, global growth is projected to remain unchanged at 3.2 percent. Downside risks, however, remain elevated, including prolonged geopolitical tensions, energy price pressures and growing fiscal vulnerabilities.
2. Trends in key commodity markets have been mixed since the February 2026 MPC meeting. In this regard, the price of gold declined, reflecting reduced safe-haven demand amid the shift in market sentiment towards a possible higher interest rate environment. Similarly, the uranium spot price edged somewhat lower but remains firm, largely due to robust global demand for carbon-neutral baseload electricity supply. Moreover, diamond



prices remain subdued, owing particularly to competition from lab-grown diamonds and high inventory levels. Conversely, zinc and copper prices increased during the period under review as supply concerns persisted.


3. Brent crude oil price initially soared and peaked at approximately US\$118 per barrel in late March 2026. While the price has since retreated, they remain significantly higher, attributed to oil-supply disruptions and the closure of the Strait of Hormuz. Going forward, this is anticipated to generate significant inflationary pressures for oil-importing economies like Namibia.
4. Key global stock markets stabilised most recently, although sentiment remain sensitive to the developments in the Middle East. In particular, the S&P 500 recorded losses up to late March 2026 but has since recovered and set record highs, partly reflecting resilient corporate earnings and expectations of de-escalation in the Middle East. Turning to bond markets, yields have risen, reversing the sustained descent observed at the previous MPC meeting, primarily attributed to high inflation risk concerns.
5. The global disinflationary trend observed since 2023 has been disrupted, primarily reflecting inflationary pressures stemming from the energy-price shock and supply disruptions. Consequently, the IMF has revised its inflation outlook upward to 4.4 percent in 2026 and 3.7 percent in 2027, relative to the previous projections of 3.8 percent and 3.4 percent, respectively. Compared to the previous MPC meeting, however, inflation remained lower in most monitored economies, despite ticking higher month-on-month in March 2026.
6. Given the escalation of geopolitical tensions in the Middle East, key central banks have largely instituted a wait-and-see approach towards monetary policy setting. The exceptions were the central banks of Brazil and Russia, which eased policy rates during the period under review amid easing inflation and slowed domestic demand.

**On the domestic front, economic activity remained subdued, with growth for 2026 revised downward relative to the previous forecast. While inflation was well contained during the first quarter, it is forecast to rise over the remainder of 2026. Credit to the private sector remained weak. Meanwhile, the stock of international reserves continued**



**to be sufficient to maintain the currency peg and meet the country's international financial obligations.**

7. Growth in domestic economic activity slowed to a post-pandemic low in 2025. According to the recently released Annual National Accounts data, growth slowed to 1.7 percent in 2025 from 3.8 percent in 2024, undershooting the Bank's earlier estimate of 2.5 percent. The slowdown was ascribed to a contraction in the *primary* industries, worsened by slower growth in the *secondary* and *tertiary* industries.
8. Looking ahead, real GDP growth is anticipated to recover over the medium term. Accordingly, growth is projected at 2.6 percent for 2026 and 2.9 percent for 2027, a downward revision from the December 2025 outlook. Downside risks to the growth outlook include the ongoing war in the Middle East, protracted supply chain disruptions, and water supply challenges, especially for uranium mining activities.
9. Headline inflation remained on a downward trend during the first quarter of 2026. Specifically, inflation averaged 2.5 percent, notably lower compared to 3.7 percent recorded in the corresponding quarter in 2025. Inflation also receded since the previous MPC meeting, with the March 2026 outcome at 2.1 percent, 0.8 percentage point lower than the level observed in January 2026. The slower inflation outcome was primarily due to disinflationary pressures in the *food and non-alcoholic beverages*, as well as deflation in *transport*.
10. Looking ahead, inflation is projected to rise notably in the second quarter of 2026 to record an average of 3.7 percent for the year, before moderating to 3.4 percent in 2027. The 2026 forecast has been revised upward by 0.2 percentage point, on assumptions of higher oil and food prices, alongside a volatile currency. Risks to the domestic inflation outlook remain tilted to the upside, notably through potential increases in administered prices, exchange rate volatility, and the spillover effects of the prolonged war in the Middle East.
11. Annual growth in private sector credit extension (PSCE) edged higher in February 2026, mainly supported by increased credit uptake by businesses. PSCE growth rose to 4.7 percent in February 2026, up from 4.4 percent in December 2025. This trend is further observed in the average PSCE growth for the first two months of 2026, which stood at 4.5 percent, higher than the 4.0 percent recorded over the same period in 2025.

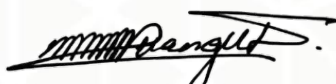


Notwithstanding these upticks, annual growth in PSCE remains subdued in line with muted economic activity.

12. Namibia's external position deteriorated since the February 2026 MPC meeting. Despite the 7.5 percent growth in export earnings, the merchandise trade deficit widened by 9.5 percent, year-on-year, to approximately N\$9.0 billion during the first quarter of 2026, due to a faster increase in import payments. Going forward, the cost of imported fuel, fertiliser and other downstream products from the petroleum industry is set to further increase in the coming months. Meanwhile, the exchange rate has also depreciated since the February 2026 MPC meeting, adding pressure on the external position.
13. The stock of international reserves stood at N\$51.8 billion at the end of March 2026, a slight decline compared to N\$51.9 billion at the end of January 2026. At this level, foreign reserves translate to an estimated import cover of 3.2 months, which is sufficient to support the currency peg and meet the country's international financial obligations.

#### **MONETARY POLICY STANCE**

14. Following extensive deliberations, the MPC unanimously decided to maintain the Repo rate at 6.50 percent. Commercial banks are accordingly expected to keep their Prime lending rates at 10.00 percent. This policy stance is deemed appropriate for safeguarding the one-to-one link between the Namibia Dollar and the South African Rand.
15. In determining the appropriate monetary policy stance, the MPC noted weak domestic economic activity and credit extension, amidst a higher inflation forecast for 2026. The Committee further noted the escalation of geopolitical tensions in the Middle East, mindful of uncertainties regarding the duration of the war and the intensity of the spillover effects thereof. While maintaining a cautious stance, the MPC further noted recent policy measures to insulate the domestic economy from the energy-price shock, which could moderate the inflation outlook over the short term.
16. The next MPC meeting will be held on 15 and 16 June 2026.



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