Bank of Namibia

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REPO RATE REDUCED BY 25 BASIS POINTS TO 6.50 PERCENT

On 13 and 14 October 2025, the Monetary Policy Committee (MPC) of the Bank of Namibia held its fifth bi-monthly meeting of 2025 to decide on the appropriate monetary policy stance for the next two months. To continue supporting the domestic economy while safeguarding the peg between the Namibia Dollar and the South African Rand, the MPC decided to reduce the Repo rate by 25 basis points to 6.50 percent.

RECENT ECONOMIC DEVELOPMENTS

Domestic economic activity has weakened. Inflation remains subdued, while growth in Private Sector Credit Extension (PSCE) has improved further, although it remains relatively weak. The merchandise trade deficit has narrowed further, while the stock of international reserves remains sufficient to maintain the currency peg and meet the country's international financial obligations.

1. Real GDP growth has surprised on the downside, falling to a post-pandemic low of 1.6 percent year-on-year in the second quarter of 2025 from 3.3 percent during the corresponding period of 2024. This poor performance was primarily observed in the *manufacturing, fishing,* and *agriculture* sectors. High-frequency indicators further corroborate this trend, suggesting that the pace of expansion in economic activity during the first eight months of 2025 has slowed compared to the same period in 2024. Looking ahead, real GDP growth for 2025 is projected to decline from 3.7 percent registered in 2024, with downside risks now more pronounced.

2. Annual inflation remains contained, averaging 3.6 percent during the first eight months of 2025, compared to 4.6 percent during the same period in 2024. This disinflation was primarily reflected in the categories of *housing* and *alcoholic beverages*, augmented by deflation in the *transport* category. Moreover, consumer price inflation has remained

unchanged at 3.5 percent in September 2025 relative to its level in July 2025, although it temporarily dipped to 3.2 percent in August.

3. Looking ahead, inflation projections for both 2025 and 2026 have been revised downward by 0.2 percentage point to 3.6 percent and 4.0 percent, respectively, compared to the previous forecast. This revision reflects a stronger exchange rate assumption and a downward revision to the oil price outlook. Risks to the forecast remain exchange rate volatility and potential upticks in administered and oil prices.

4. The annual growth in PSCE has continued on a gradual recovery path, rising to a post-pandemic high of 5.8 percent in August 2025 and remaining above the 5.7 percent recorded in June 2025. Similarly, the improvement in credit to the private sector was observed in the year-to-date average growth rate, which stood at 4.9 percent in the first eight months of 2025 relative to 2.0 percent during the same period in 2024. Overall, the improvement in PSCE was mainly driven by a stronger credit uptake by *businesses,* while *households* lagged.

5. Pivoting to the external sector, Namibia's merchandise trade deficit narrowed by 16.1 percent to N$17.9 billion during the first eight months of 2025, relative to the corresponding period in the previous year. The improved trade deficit was on account of a faster increase in export earnings, especially from *uranium* and *gold*, relative to import payments during the period under review.

6. The stock of international reserves stood at N$54.7 billion at the end of September 2025, a decline from N$58.1 billion recorded at the end of July. The reduction in foreign reserves was mainly ascribed to elevated imports, foreign payments by the Government and a stronger exchange rate. This level of foreign reserves translates to an estimated import cover of 3.6 months, remaining adequate to sustain the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial obligations.

The global economy continues to exhibit resilience; however, the medium-term outlook suggests marginally slower global growth. Since the previous MPC meeting, inflation patterns have diverged across monitored economies. Key global stock markets gained, while bond yields fell. The US Fed lowered its policy rate for the first time this year,

while other monitored monetary policy authorities mostly held their policy rates steady since the previous MPC meeting.

7. Global growth has remained relatively resilient since the last MPC meeting. According to the Organisation for Economic Co-operation and Development, growth in the Group of Twenty (G20) economies edged up slightly in the second quarter of 2025, largely sustained by the United States and India. Looking ahead, the International Monetary Fund (IMF) has projected global growth to moderate from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026. The 2025 growth forecast is 0.2 percentage point higher than previously projected, reflecting gradual adaptation to trade tensions.

8. Most monitored commodity prices have trended upward since the previous MPC meeting. The price of gold has surged since the August MPC sitting, setting a record high most recently, buoyed by increased safe-haven demand. Furthermore, zinc prices have continued their ascent, mainly due to tight global supply conditions. Despite a recent drop, copper prices remain notably elevated, ascribed to concerns regarding supply shortages, amid disruptions at key copper mines. Turning to the energy sector, the uranium spot price has sustained gains, supported by supply constraints and rising demand. Conversely, crude oil prices have eased further, mainly due to increased supply and, most recently, concerns regarding the imposition of higher US tariffs on Chinese goods. Diamond prices were slightly lower than two months ago, partly reflecting continued competition from lab-grown diamonds.

9. Key global stock markets generally recorded gains since the last MPC meeting, with a notable gain extended by the S&P 500, driven by technology stocks. Meanwhile, bond yields trended down across monitored economies, with significant declines in the United States and China. Bond yields also fell in South Africa, underpinned by stable fiscal signals and lower inflation expectations, amid the central bank's expression of a preference for a lower inflation target.

10. Since the last MPC meeting, inflation trends have diverged across key economies. Among the Advanced Economies, inflation ticked up in the United States, the United Kingdom and the Euro Area, while it continued to moderate in Japan. In contrast, inflation generally slowed in the monitored Emerging Market and Developing Economies, except in South Africa, where consumer prices edged up. Meanwhile, China recorded deflation during the

same period. Looking ahead, the IMF's projections for global inflation have remained broadly unchanged, with inflation forecast to decelerate from a revised 5.8 percent in 2024 to 4.2 percent in 2025 and 3.7 percent in 2026.

11. Most of the monitored central banks held policy rates steady since the August 2025 MPC meeting. The exceptions were the US Federal Reserve, which implemented its first rate cut for the year, and the Bank of Russia, also with a reduction.

MONETARY POLICY STANCE

12. In determining the appropriate monetary policy stance, the committee considered the weaker domestic economic activity, well-contained inflation, and a favourable medium-term inflation outlook. Year-to-date capital outflows were assessed to be orderly. The relatively high real Repo rate and adequate foreign reserves were also deemed to be supportive of a reduction in the nominal Repo rate.

13. The MPC was wary that a lowering of the Repo rate would widen the gap between the domestic policy rate and that of the anchor country but was of the view that its magnitude falls within the boundaries where capital movements remain well-contained. Moreover, while there is imminent pressure on foreign reserves due to the forthcoming Eurobond redemption, thorough preparation in anticipation of this event has ensured that Namibia's foreign reserve adequacy is not jeopardised.

14. Against this background, the MPC decided to reduce the Repo rate by 25 basis points to 6.50 percent. Commercial banks are accordingly expected to cut their prime lending rates by the same margin to 10.125 percent. This policy stance will continue to support domestic economic activity, while safeguarding the one-to-one link between the Namibia Dollar and the South African Rand.

15. The next MPC meeting will be held on the 1st and 2nd of December 2025.

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For the latest staff inflation forecast as reviewed by the MPC, follow this link.