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REPO RATE MAINTAINED AT 6.50 PERCENT

On the 1st and 2nd of December 2025, the Monetary Policy Committee (MPC) of the Bank of Namibia held its final bi-monthly meeting of 2025 to decide on the appropriate monetary policy stance for the next two months, guided by incoming data and the assessment thereof. To continue safeguarding the peg between the Namibia Dollar and the South African Rand, while supporting the domestic economy, the MPC decided to keep the Repo rate unchanged at 6.50 percent.

RECENT ECONOMIC DEVELOPMENTS

The domestic economy grew moderately. Inflation has remained well contained, while growth in Private Sector Credit Extension (PSCE) slowed since the previous MPC meeting. The merchandise trade deficit narrowed, while the stock of international reserves remains sufficient to maintain the currency peg and meet the country's international financial obligations.

1. High-frequency indicators in the domestic economy suggest that, while economic activity maintained positive growth, the pace of expansion slowed during the first ten months of 2025 compared to the same period in 2024. The slowdown was primarily driven by contractions in the *manufacturing* sector, *diamond mining*, *livestock farming,* and *transport* subsectors. Given the generally subdued economic activity so far in 2025, real GDP growth is now projected to slow from 3.7 percent in 2024 to 3.0 percent in 2025, 0.5 percentage point lower than the previous forecast.

2. Looking ahead, real GDP growth, however, is projected to recover to 3.8 percent in 2026 and further to 4.3 percent in 2027. This recovery is expected to be primarily underpinned by a rebound in the *agriculture* sector, a sustained upturn in *construction*, robust *electricity generation* and stronger output from the *uranium* subsector. Downside risks to the outlook

remain and include the possibility of renewed drought conditions, infrastructure constraints, and sluggish global demand.

3. Annual inflation remained contained and averaged 3.6 percent during the first ten months of 2025, compared to 4.5 percent during the same period in 2024. The disinflation was primarily reflected in the categories of *housing*, *transport*, and *alcoholic beverages*. Nevertheless, compared to the previous month, inflation rose marginally to 3.6 percent in October 2025 from 3.5 percent in September 2025.

4. The inflation projection for 2025 remains stable at 3.6 percent, while that for 2026 has been revised downward by 0.2 percentage point to 3.8 percent compared to the previous forecast. The 2026 revision reflects a stronger exchange rate assumption and a favourable oil price outlook. Risks to the forecast remain exchange rate volatility and potential increases in administered and oil prices.

5. The annual growth in PSCE slowed to 4.7 percent in October 2025, from 5.8 percent recorded in August 2025. This slowdown reflects a reduction in credit extended to the corporate sector. Year-to-date, however, annual PSCE growth stood higher on the back of increased borrowing from the corporate sector, with household credit remaining subdued.

6. On the external sector, Namibia's merchandise trade deficit narrowed by 14.5 percent to N$25.8 billion during the first ten months of 2025, compared to the corresponding period in 2024. The improved trade deficit was largely due to higher export earnings, particularly from *uranium* and *gold*, relative to import payments during the period under review.

7. The stock of international reserves stood at N$48.6 billion at the end of October 2025, a decline from N$54.7 billion recorded at the end of September 2025. The reduction in foreign reserves was predominantly due to foreign debt repayments, including the Eurobond redemption, and higher import payments. This level of foreign reserves translates to an estimated import cover of 3.2 months, which still remains adequate to sustain the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial obligations.

Global economic growth has remained moderate since the previous MPC meeting. Inflation has eased across monitored economies, while key commodity prices exhibited

divergent trends. Key global stock markets continued to depict gains, while bond yields fell. The South African Reserve Bank reduced its policy rate, while other monitored monetary policy authorities mostly maintained their policy rates steady.

8. Global growth appears to have moderated since the last MPC meeting. Available third-quarter GDP data suggest that economic activity slowed across the monitored economies, with the notable exception of India, which maintained an upward growth trajectory. Looking ahead, the International Monetary Fund (IMF), in its October 2025 World Economic Outlook (WEO), projects global growth to slow from 3.3 percent in 2024 to 3.2 percent and 3.1 percent in 2025 and 2026, respectively.

9. Prices of most key commodities have diverged since the previous MPC meeting. The price of gold remained resilient during the period under review, primarily sustained by safe-haven demand by both institutional and retail investors. Zinc and copper prices have also trended upward, mainly supported by supply challenges and robust global demand, respectively. In contrast, although the uranium spot price has remained firm, it has receded somewhat, reflecting tapering supply concerns alongside an improved supply outlook. Similarly, crude oil prices moderated during the same period, attributable to increased supply. Meanwhile, diamond prices remained under pressure, partly ascribed to competition from lab-grown diamonds.

10. Key global stock markets were relatively volatile over the past two months; however, they have rallied most recently, primarily driven by technology stocks and renewed optimism regarding a potential rate cut by the US Federal Reserve in December 2025. Conversely, bond yields trended downward, with a notable decline in South Africa, supported by an improved fiscal outlook, the reduction in the policy rate and lower inflation expectations in that country.

11. Global consumer price inflation has remained contained across the monitored economies relative to levels observed at the previous MPC sitting. Among the key Advanced Economies, inflation was lower in the United Kingdom and the Euro Area, while it edged up slightly in the United States and Japan. Furthermore, inflation slowed in most of the monitored Emerging Market and Developing Economies, except in China and South Africa, where it increased marginally, although South Africa expects inflation to remain

contained in the medium term. Looking ahead, the IMF projects global inflation to decline from 5.8 percent in 2024 to 4.2 percent in 2025 and 3.7 percent in 2026.

12. Most of the monitored central banks continued to hold policy rates steady since the previous BoN MPC meeting. The exceptions were the US Federal Reserve, the Bank of Russia and the South African Reserve Bank, which reduced policy rates at their most recent meetings.

MONETARY POLICY STANCE

13. The MPC decided to maintain the Repo rate at 6.50 percent. Commercial banks are accordingly expected to keep their prime lending rates at 10.125 percent. This policy stance is deemed appropriate for safeguarding the one-to-one link between the Namibia Dollar and the South African Rand, while remaining supportive of domestic economic activity.

14. In determining the appropriate monetary policy stance, the Committee noted the prolonged global policy uncertainty and potential risks to the domestic economy. Furthermore, the formal adoption of the 3 percent inflation target by South Africa necessitates additional vigilance by the Namibian authorities in managing domestic inflation to ensure the continued smooth functioning of the exchange rate peg.

15. Despite a deceleration in the pace of domestic economic activity, the overall environment remains positive, with both current and projected inflation well-contained and growth set to recover in the medium term. While capital flows were assessed to be orderly and the MPC was gratified by the smooth redemption of the Eurobond, narrowing the interest rate differential with South Africa was equally deemed essential. The normalisation of the prime-repo rate spread, anticipated by the end of the year, is expected to provide further support to the domestic economy, bringing the level of the prime rate to 10.00 percent.

16. The next MPC meeting will be held on the 16th and 17th of February 2026.

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