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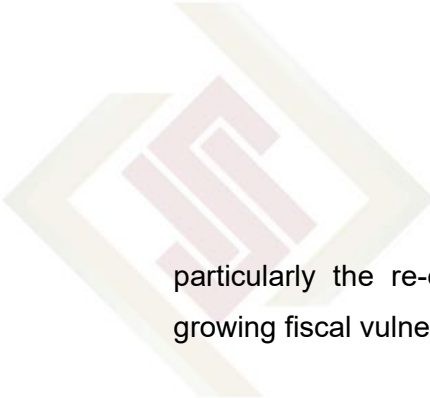
REPO RATE INCREASED BY 25 BASIS POINTS TO 6.75 PERCENT

On 15 and 16 June 2026, the Monetary Policy Committee (MPC) of the Bank of Namibia held its third 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 decided to raise the Repo rate to 6.75 percent.

RECENT ECONOMIC DEVELOPMENTS


Global economic uncertainty has remained elevated since the previous MPC meeting, despite rising optimism that peace will be restored in the Middle East. Trends in key commodity prices were mixed since the last MPC meeting. Monitored stock markets have rallied most recently, while bond yields remain elevated. Inflation rose significantly across most monitored economies, with some key central banks tightening their policy rates.

1. Trends in the global real Gross Domestic Product (GDP) were mixed across monitored economies since the previous MPC meeting. While growth was relatively firm in the United States (US), China, India and South Africa during the first quarter of 2026, it remained subdued across most other key economies.
2. Looking ahead, the International Monetary Fund (IMF), in its April 2026 World Economic Outlook, projected global growth to decelerate from an estimated 3.4 percent in 2025 to 3.1 percent in 2026 and 3.2 percent in 2027. In a more recent forecast, the Organisation for Economic Co-operation and Development (OECD) projected an even slower growth rate of 2.8 percent for 2026, before rising to 3.1 percent in 2027. Downside risks remain,



particularly the re-escalation of geopolitical tensions, energy price pressures and growing fiscal vulnerabilities.


3. Developments in key commodity prices were mixed since the previous MPC sitting. The price of gold trended lower, primarily due to a stronger US Dollar, profit taking and prospects of higher interest rates. Although uranium spot prices have declined marginally since the April 2026 MPC meeting, they remain firm on the back of sustained demand. Furthermore, rough diamond prices remain subdued due to competition from lab-grown diamonds. In contrast, zinc and copper prices rose further on the back of robust demand.
4. Brent crude oil price retreated to a three-month low of approximately US\$79 per barrel most recently, due to the announcement of a US-Iran interim peace agreement designed to extend the ceasefire and reopen the Strait of Hormuz. Nevertheless, near-term prices could remain higher than their pre-war levels as the resumption of energy production and logistic flows may take time to materialise, thereby maintaining upward pressure on domestic inflation.
5. Key global stock markets have generally trended upward since the previous MPC meeting, bolstered by strong corporate earnings and renewed optimism regarding the easing of geopolitical tensions in the Middle East. Meanwhile, bond yields remained elevated amid inflation concerns. Nevertheless, yields retreated most recently, somewhat unwinding the geopolitical risk premium.
6. Since the previous MPC meeting, inflation across monitored economies has increased, reflecting the effects of the energy price shock and supply chain disruptions. Notably, inflation rose sharply in South Africa from 3.1 percent in March 2026 to 4.0 percent in April 2026. With energy and food prices expected to remain notably higher in 2026, the IMF projects global inflation to increase from 4.1 percent in 2025 to 4.4 percent this year, before decelerating to 3.7 percent in 2027.
7. Monetary policy across key economies has shifted from the generally cautious approach at the time of the previous MPC meeting towards tightening on account of rising inflationary pressures. In this regard, the South African Reserve Bank, the European Central Bank, and the Bank of Japan increased their policy rates at their latest monetary



policy meetings. Moreover, expectations regarding the near-term trajectory of policy elsewhere have also shifted towards tightening.

Domestic economic activity remained weak over the first four months of the year, while inflation increased notably since the last MPC meeting. Growth in Private Sector Credit Extension (PSCE) edged up slightly, but remain subdued. Meanwhile, the stock of international reserves remained sufficient to support the currency peg and meet the country's international financial obligations.

8. Domestic economic activity moderated during the first four months of 2026 relative to the corresponding period in 2025. While this subdued performance was broad-based, it was most pronounced in the *mining, manufacturing, tourism, electricity generation, construction, and communication* sectors. Notwithstanding, activity in the *agriculture* sector rose sharply, supported by strong crop production.
9. Looking ahead, growth is projected to recover from 1.7 percent in 2025 to 2.6 percent in 2026, primarily on account of strong activity in *uranium mining, wholesale and retail trade, financial services* and *public administration and defense* sectors. Downside risks, nevertheless, remain, including continued geopolitical tensions, weaker global demand, and the development of an El Niño event. Water supply challenges, especially for uranium mining activities, require ongoing monitoring.
10. The war-induced inflationary pressures have filtered through to domestic consumer price inflation. Accordingly, headline inflation accelerated from 2.1 percent in March 2026 to 4.1 percent in May 2026, primarily due to higher prices in the *transport* category. Year-to-date, however, inflation averaged 2.9 percent, lower than the 3.6 percent recorded over the corresponding period in 2025.
11. Going forward, the domestic inflation outlook has been revised upward, relative to the previous forecast. Headline inflation is projected to increase from 3.5 percent in 2025 to 4.0 percent in 2026 before falling to 3.6 percent in 2027. This is 0.3 percentage point and 0.2 percentage point higher than the previous forecast, respectively. The upward revision is grounded mainly on the assumption of higher oil prices. Risks to the domestic inflation outlook remain tilted to the upside, driven primarily by potential increases in




administered prices, currency fluctuations, and potential re-escalation of the conflict in the Middle East.

12. Despite ticking up somewhat since the previous MPC meeting, PSCE growth has remained subdued. Particularly, PSCE growth rose moderately to 4.8 percent year-on-year in April 2026, 0.1 percentage point above the level observed at the previous MPC meeting, primarily due to a higher uptake of credit by households, while credit to businesses moderated. Similarly, PSCE growth was marginally higher on a year-to-date basis, averaging 4.5 percent compared to 4.4 percent during the same period in 2025.
13. Namibia's trade balance continued to deteriorate relative to the previous MPC sitting, despite a faster growth in export receipts. In this regard, the merchandise trade deficit widened to N\$11.7 billion during the first four months of 2026, up from N\$11.3 billion in the corresponding period in 2025. This was due to higher import payments, particularly in the categories of *machinery*, *mineral fuels*, *vehicles* and *electricity*. Over the near term, the external position is anticipated to remain under pressure, primarily due to rising import prices.
14. The stock of international reserves rose from N\$51.8 billion at the end of March 2026 to N\$55.4 billion at the end of May 2026, mainly due to SACU receipts, customer foreign currency placements and the monetary gold acquisition. At this level, foreign reserves translated to an estimated import cover of 3.5 months, which is sufficient to support the currency peg and meet the country's international financial obligations.

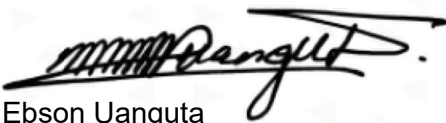
Monetary Policy Stance

15. Following extensive deliberations, the MPC decided to raise the Repo rate by 25 basis points to 6.75 percent. This increase effectively brings the Prime lending rate to 10.25 percent. This policy stance is deemed appropriate to mitigate against inflationary risks, support the stock of international reserves and safeguard the one-to-one link between the Namibia Dollar and the South African Rand.
16. In determining the appropriate monetary policy stance, the MPC noted rising global and domestic inflationary pressures over the near term, despite the ensuing peace agreement between the United States and Iran. The Committee was mindful of the subdued domestic economic activity and sluggish credit extension to the private sector.



In this regard, balancing these against the imperative to maintain the currency peg and mitigate second-round effects of the energy shock, a moderate tightening of monetary policy was deemed appropriate. The Bank of Namibia will closely monitor economic data, particularly developments in inflation expectations as well as capital flows, and will react appropriately to contain second-round effects and safeguard the currency peg.

17. The next MPC meeting will be held on 10 and 11 August 2026.



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