BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 16 - 17 June 2025

Bank of Namibia

"Our Vision is to be a leading central bank committed to a prosperous Namibia"

MPC MEMBERS PRESENT

Johannes !Gawaxab	Governor (Chairperson)
Ebson Uanguta	Deputy Governor
Leonie Dunn	Deputy Governor
Emma Haiyambo	Director: RFSDD[1]
Nicholas Mukasa	Director: Financial Markets Department (FMD)
Johan van den Heever	Technical Expert: RFSDD
Romeo Nel	Technical Advisor to the Governor

SECRETARY

Doughlas Ndana	Senior Economist: RFSDD

APOLOGIES

None.

[1] Research and Financial Sector Development Department (RFSDD).

OTHERS PRESENT

Israel Zemburuka (Director: Strategic Communications and International Relations(SCIRD)); Postrick Mushendami (Deputy Director: RFSDD); Sanette Schulze Struchtrup (Deputy Director: RFSDD); Erwin Naimhwaka (Deputy Director: RFSDD); Abigail Nainda (Deputy Director: RFSDD); Anthea Angermund (Deputy Director: FMD); Daisy Mbazima-Lando (Principal Economist: RFSDD); Reinhold Kamati (Economic Advisor: RFSDD); Grace Hamauka (Principal Economist: RFSDD); Elifas Iiyambula (Principal Economist: RFSDD); Gracianu Kavaleka (Senior Economist: RFSDD); Daniel Kavishe (Principal Economist: FMD); Aili Andreas[2] (Financial Analyst: Banking Supervision).

PARTIAL ATTENDANCE

Mukela Mabakeng (Technical Expert: RFSDD); Brian Mbazuvara (Technical Expert: RFSDD); Rehabeam Shilimela (Technical Expert: RFSDD); Gerson Kadhikwa (Technical Expert: RFSDD); Saara Mukumangeni-Kashaka (Principal Economist: RFSDD); Heinrich Namakalu (Senior Economist: RFSDD); Mutu Katjiuanjo (Senior Economist: RFSDD); Metilda Ntomwa (Senior Economist: RFSDD); Vejama Mootu (Senior Economist: RFSDD); Hilya Lazarus (Senior Economist: RFSDD); Sevelia Nakalemo (Senior Economist: RFSDD); Christof Kalumbu (Senior Economist: RFSDD); Charlotte Tjeriko-Katjiuanjo (Senior Economist: RFSDD); Isabel Nghinamupika (Economist: RFSDD); Kennedy Stephanus (Senior Economist: RFSDD); Hileni Shifotoka (Senior Economist: RFSDD); Loise Katanga (Senior Economist: FMD); Malcolm Tsuseb (Economist: RFSDD); Joel Kagola (Economist: RFSDD); Merrinah Siboli (Economist: RFSDD); Lina Heita (Economist: RFSDD); Naufiku Hamunime (Technical Expert: SCIRD); Maria Ngolo (Graduate Accelerated Program Candidate); Nelago Aluvilu (Intern: RFSDD); Andre Kuschke (Senior Economist: FMD); Lukas Hishekwa[3] (Senior IT Network Engineer: Information Technology).

[2] Ms. Andreas has been on attachment to the RFSDD since February 2025.
[3] Mr. Hishekwa was asked to join the meeting to provide technical support.

ECONOMIC DEVELOPMENTS REPORT

Following the established tradition, economic developments were split into global and domestic components. First, a report on global economic developments was presented.

THE GLOBAL ECONOMY

1. **The MPC noted a steady pace of global growth in the first quarter of 2025, though the medium-term outlook remained under significant downward pressure.** The MPC was informed that global growth was steady during the first quarter of 2025 relative to the fourth quarter of 2024. However, growth divergences were noted among key economies. Accordingly, growth slowed in the United States (US), the United Kingdom, Brazil and Russia. It remained weak in South Africa, steady in China, and picked up in the Euro Area, Japan and India. Looking ahead, global growth prospects deteriorated compared to earlier projections. The International Monetary Fund (IMF) projected growth to slow from an estimated 3.3 percent in 2024 to 2.8 percent in 2025 and 3.0 percent in 2026.

2. **The MPC noted that the Brent crude oil futures prices had initially fluctuated sideways since the previous MPC meeting, but most recently increased notably.** Brent crude futures fluctuated sideways from approximately US$66 per barrel on the 16th of April 2025 but then rose abruptly from the beginning of June to around US$74 per barrel on the 13th of June 2025. The sharp increase in Brent crude futures was primarily attributed to heightened fears of a dramatic escalation of the conflict in the Middle East, especially following Israel's initial attack on Iran.

3. **Diamond prices remained weak since the last MPC meeting, attributed to weaker global demand.** Despite ticking up since the last MPC meeting, the Zimnisky polished diamond index remained on a downward path when viewed in the context of recent historical performance. The weak performance continued to be largely driven by sluggish global demand and competition from lab-grown diamonds.

4. **Gold and uranium futures prices rose relative to the previous MPC meeting.** Gold futures stood at around US$3 453 per ounce on 13 June 2025, higher compared to US$3 245 per ounce at the previous MPC meeting. The precious metal continued to gain on the back of safe-haven demand, amid geopolitical tensions. Turning to uranium, the metal extended gains since bottoming out in mid-March 2025. Accordingly, uranium

futures rose to approximately US$70 per pound on 13 June 2025, from US$64 per pound observed at the previous MPC sitting. The increase was mainly supported by improved risk appetite and positive investor sentiment regarding the growing number of nuclear reactors.

5. **Copper and zinc futures prices increased since the previous MPC meeting.** Since the April 2025 MPC meeting, both copper and zinc futures increased, albeit with varying magnitudes. On 13 June 2025, copper futures rose to US$9 637 per metric tonne, while zinc futures stood at US$2 627 per tonne. Copper futures were higher primarily due to supply disruptions, whereas a marginal uptick in zinc futures was mainly due to tighter supply.

6. **The MPC noted that global inflation had slowed since the April 2025 MPC sitting, despite some cost pressures from tariffs.** In the monitored Advanced Economies (AEs), inflation moderated in the Euro Area and Japan, edged up in the United Kingdom, and remained stable in the United States. Furthermore, inflation slowed in most of the key Emerging Market and Developing Economies (EMDEs). Meanwhile, deflationary pressures persisted in China. Looking ahead, the IMF projected global inflation to decline from 5.7 percent in 2024 to 4.3 percent in 2025 and 3.6 percent in 2026. Overall, inflation was expected to recede at a slower pace than previously anticipated, owing to the potential impact of trade tariffs and the conflict in the Middle East.

7. **Most of the monitored central banks reduced their policy rates, marking a deviation from their previously unchanged monetary policy stances.** In the key AEs, the Bank of England and the European Central Bank reduced rates, while the US Federal Reserve and the Bank of Japan maintained rates steady. Among the EMDEs, most central banks lowered their policy rates, except the Bank of Brazil, which continued to tighten. This was noted as a deviation from the cautious, wait-and-see approach observed at the previous MPC sitting.

8. **The MPC noted the recent global economic developments.**

THE DOMESTIC ECONOMY

A presentation on domestic economic developments was delivered to the MPC.

9. **The MPC noted that economic activity expanded at a reasonably solid pace during the first four months of 2025.** Domestic economic activity expanded during the first four months of 2025, albeit at a slower pace compared to the corresponding period in 2024. This expansion was primarily sustained by the *mining*, *tourism*, *wholesale and retail trade*, *transport*, and *communication* sectors. Meanwhile, the *construction* and *agriculture* sectors, as well as the *diamond mining* subsector, remained weak.

10. **Looking ahead, real GDP growth was projected to marginally improve in 2025 and 2026, compared to 2024**. Growth was projected to tick up from an estimated 3.7 percent in 2024 to 3.8 percent in 2025 and 4.0 percent in 2026. This outlook, however, was susceptible to external downside risks, including tariffs, prolonged multilateral policy uncertainty and depressed international diamond prices. Additionally, escalating geopolitical tensions, including the Israel-Iran conflict, were noted to potentially weigh on growth. Domestically, water supply interruptions, especially in coastal towns, animal disease outbreaks and slow budget execution, could continue to pose downside risks to growth.

11. **Domestic inflation was well-contained, with the 2025 and 2026 inflation projections revised downwards.** Annual inflation averaged 3.6 percent during the first five months of 2025, lower compared to 4.9 percent during the same period in 2024. The deceleration was primarily observed in the *housing*, *transport* and *alcoholic beverages* categories. Additionally, inflation fractionally edged down to 3.5 percent in May 2025, from 3.6 percent in the preceding month, mainly on account of slower inflation in *housing*, augmented by the deflation in *transport*. Looking ahead, inflation projections were adjusted downward by 0.3 percentage point to 3.9 percent for 2025 and by 0.2 percentage point to 4.3 percent for 2026 compared to previous forecasts. The revision for 2025 primarily reflected the smaller-than-anticipated increment in administered prices and a stronger exchange rate.

12. **Annual growth in Private Sector Credit Extension (PSCE) continued on an upward trend, despite remaining subdued.** The annual growth in PSCE edged up since the previous MPC meeting, with the April 2025 print recorded at 4.5 percent

relative to 3.9 percent in February 2025. Similarly, growth in PSCE increased on average to 4.4 percent during the first four months of 2025 compared to 1.7 percent in the same period in 2024. These increases were reflected in credit extended to both *businesses* and *households*. It was also noted that despite trending above inflation for the past seven consecutive months, PSCE growth remained sluggish.

13. **The Central Government's debt stock stood higher at the end of April 2025, primarily driven by domestic borrowing.** Central Government's debt stock stood at approximately N$168 billion, rising by 8.0 percent year-on-year. The increase mainly reflected higher issuance of both treasury bills and internal registered stock. While domestic borrowing increased, external debt declined due to the appreciation in the exchange rate.

14. **On the external front, Namibia's merchandise trade deficit improved during the first five months of 2025, relative to the same period in the prior year.** Namibia's merchandise trade deficit narrowed by 19.8 percent to N$11.4 billion during the first five months of 2025 compared to the same period in 2024. This improved position was attributed to a faster increase in export receipts, notably from *uranium* and *gold*, relative to the rise in import payments.

15. **The stock of international reserves remained sufficient to support the currency peg and fulfil Namibia's international financial obligations.** The stock of international reserves stood at N$57.4 billion as at the end of May 2025, dropping from N$59.7 billion recorded at the end of April 2025. The decline was mainly due to trade-related outflows, customer foreign currency withdrawals and revaluation losses. This level of foreign reserves translates to an estimated import cover of 3.7 months, which was deemed adequate to sustain the currency peg between the Namibia Dollar and the South African Rand and meet the country's international financial obligations.

16. **The MPC took note of the recent domestic economic developments.**

ADOPTION OF THE MONETARY POLICY STANCE

17. **The MPC deliberated on both global and domestic economic developments.** MPC members reflected on the recent developments in the global and domestic economies and noted in summary that:

- The Global economy expanded at a steady pace in the first quarter of 2025 relative to the preceding quarter, with persistent downside risks to the medium-term growth outlook.
- Global inflation generally receded across most monitored economies since the preceding MPC meeting, and most key central banks had lowered their policy rates during the same period.
- Prices for most key international commodities increased since the last MPC meeting, with gold continuing to lead the pack.
- Domestically, economic activity expanded during the first quarter of 2025, albeit at a slower pace compared to the first quarter of 2024.
- Domestic inflation remained well contained.
- PSCE growth ticked up but remained relatively subdued.
- Foreign exchange reserves remained sufficient, and the merchandise trade deficit narrowed somewhat, supported by increased export receipts.

18. **In considering the appropriate monetary policy stance, the MPC was wary of the prevailing uncertainty from fundamental global economic and trade policy shifts**. Furthermore, the escalating Middle East conflict and its potential ramifications for global inflation and growth could not be overlooked. It was evident that these evolving developments were gradually working to suppress the monetary policy space that would have otherwise been directed to support economic activity.

19. **The MPC unanimously decided to keep the Repo rate unchanged at 6.75 percent.** Commercial banks were accordingly expected to maintain their prime lending rates at 10.50 percent. This policy stance would continue safeguarding the one-to-one link between the Namibia Dollar and the South African Rand while supporting domestic economic activity.

20. **In taking this decision, the MPC was particularly mindful of the imperative to preserve orderly capital flows**. Given well-contained inflation, subdued credit growth and no signs of overheating in the domestic economy, a case could be made for further policy easing. However, with lower SACU revenues in 2025/26, a trade deficit that had remained large even though it had narrowed somewhat recently, and with significant foreign loan redemption payments approaching, it was deemed prudent to lock in a smaller differential between the Repo rate of Namibia and that of the anchor currency, the latter rate having been reduced by 25 basis points in May 2025.

21. **Although the MPC decided to maintain the Repo rate at its current level, the Committee decided to simultaneously urge commercial banks to reduce the repo-prime rate spread.** The MPC discussed and observed that within the Common Monetary Area (CMA) countries, the longstanding practice was for the prime rate to not exceed 3.50 percentage points above the repo rate. Namibia was the only exception, maintaining a higher margin of 3.75 percentage points. In this regard, the MPC decided to urge commercial banks to start aligning their margins with levels in the other CMA countries. This strategic move was intended to address the anomaly and, in time, provide limited relief to consumers. The move followed renewed consultations between the Bank and commercial banks spanning from February 2025.