Bank of Namibia

MONETARY POLICY ANNOUNCEMENT

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The Bank of Namibia assumes no responsibility for decisions made based on the content of this presentation.

OUTLINE

01 Global Economic Outlook and Priorities

02 Domestic Economic Outlook

03 Global Risks

04 Diamond Outlook

05 Currency

06 Eurobond Redemption

07 Gold Accumulation Strategy

GLOBAL ECONOMIC OUTLOOK AND PRIORITIES

GLOBAL OUTLOOK

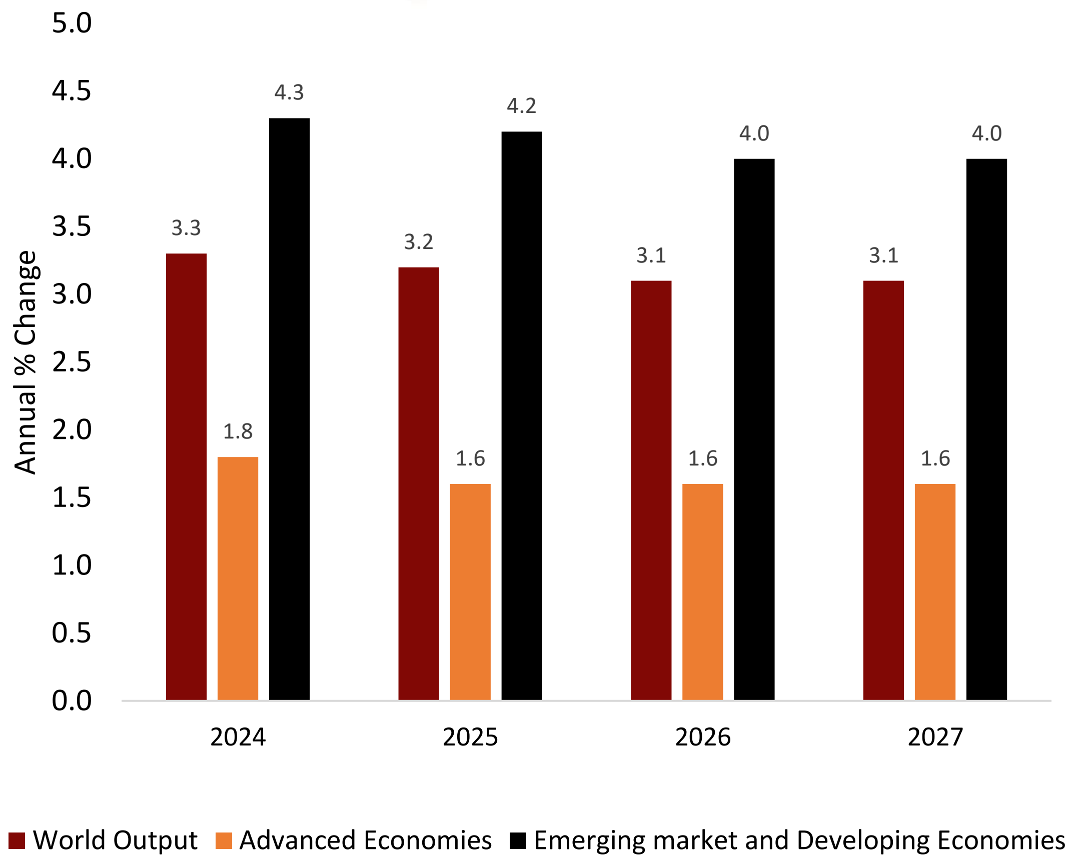
GLOBAL GROWTH

- **Global growth** is projected to slow from 3.3 percent in 2024 to 3.2 percent in 2025 and to 3.1 percent in 2026**.**

- **Advanced economies** to slow to 1.6% in 2025 from 1.8% in 2024.

Risk to the Outlook

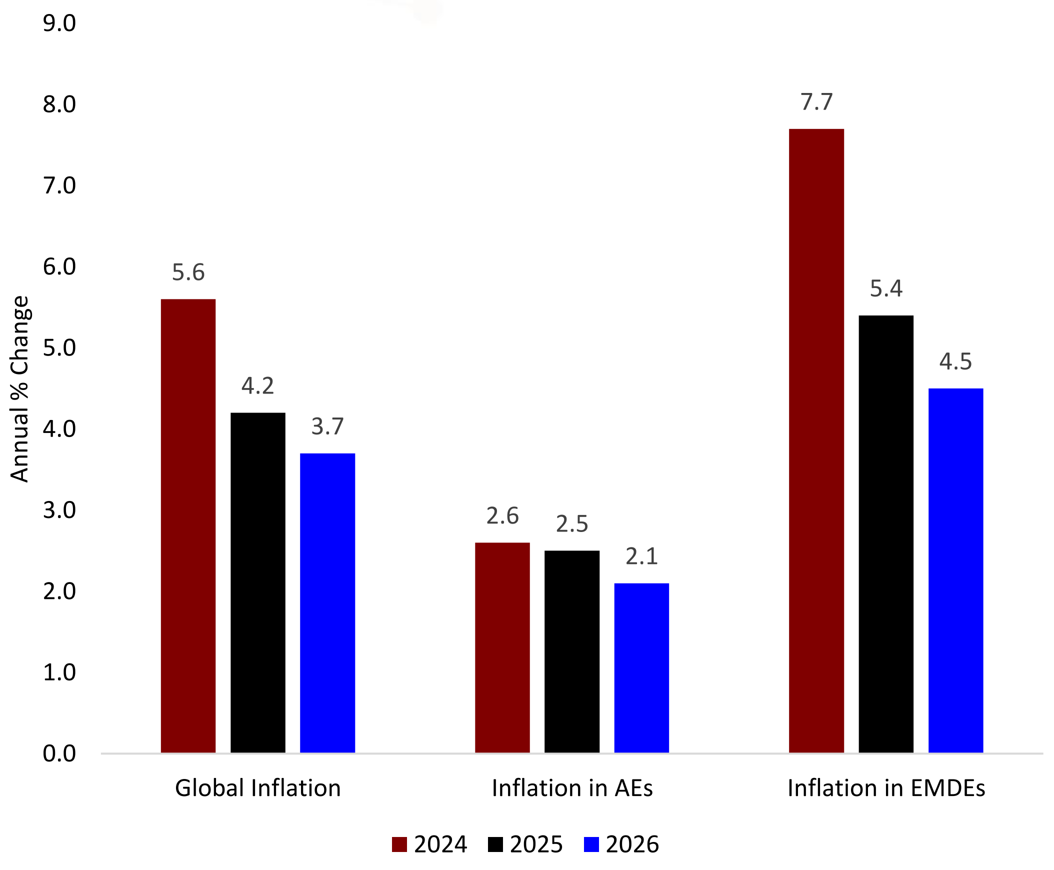
- Trade policy uncertainty
- Rising long-term yields in advanced economies
- Stricter immigration policies
- Downward revision of AI growth expectations



GLOBAL INFLATION

GLOBAL INFLATION

- **Global headline inflation is projected to decline to 4.2% in 2025 and 3.7% in 2026.**
- **In the US, inflation is expected to pick up commencing in the second half of 2025 due to tariffs.**
- **Among emerging and developing economies, inflation forecasts for Brazil and Mexico are revised upward.**



POLICY PRIORITIES

1

Restoring confidence through credible, predictable, and sustainable policy actions.

2

Medium-term fiscal consolidation should involve realistic, balanced plans that combine spending rationalisation and revenue generation.

3

Rebuilding fiscal buffers and safeguarding debt sustainability remain a priority..

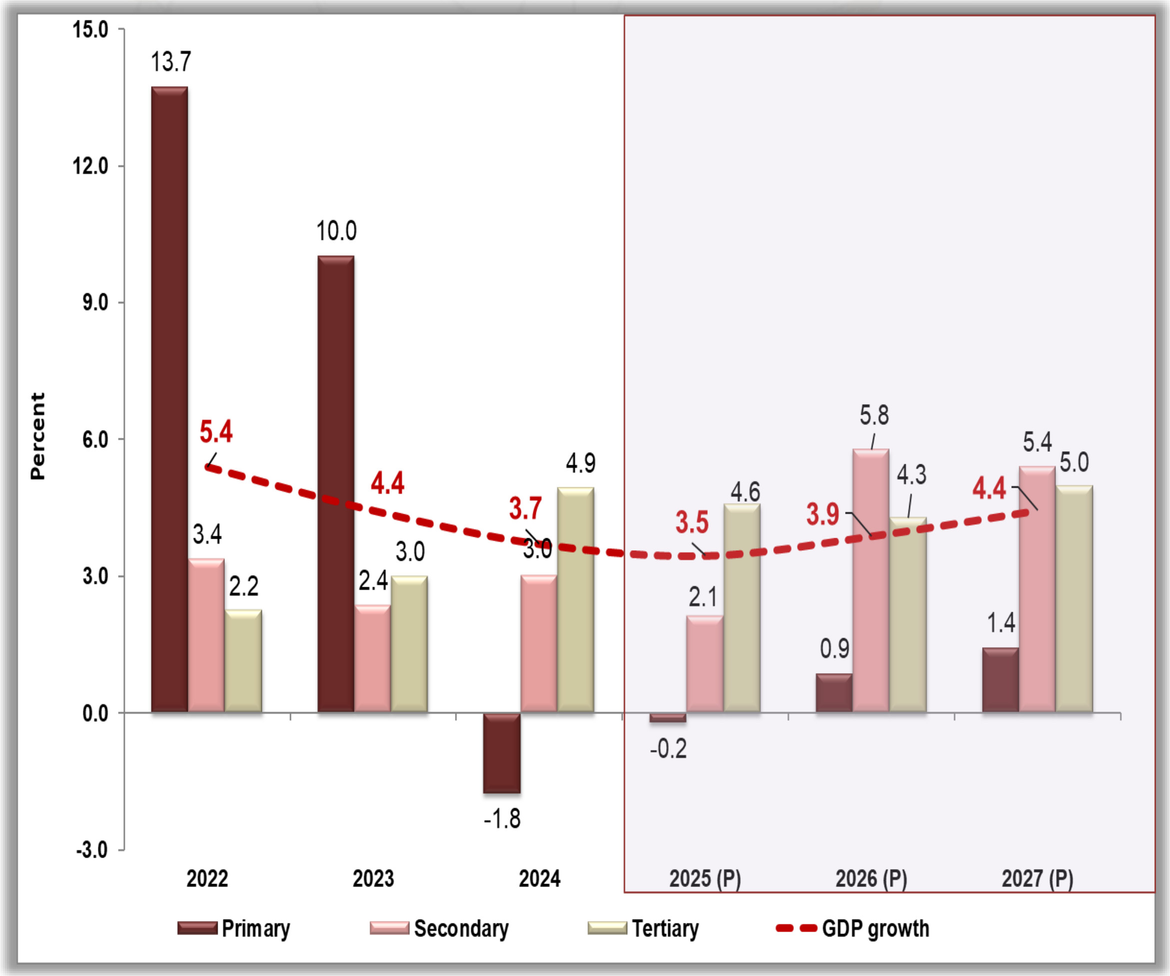
4

Preserving the independence of central banks remains critical for anchoring inflation expectations and enabling them to achieve their mandates.

NAMIBIA ECONOMIC OUTLOOK

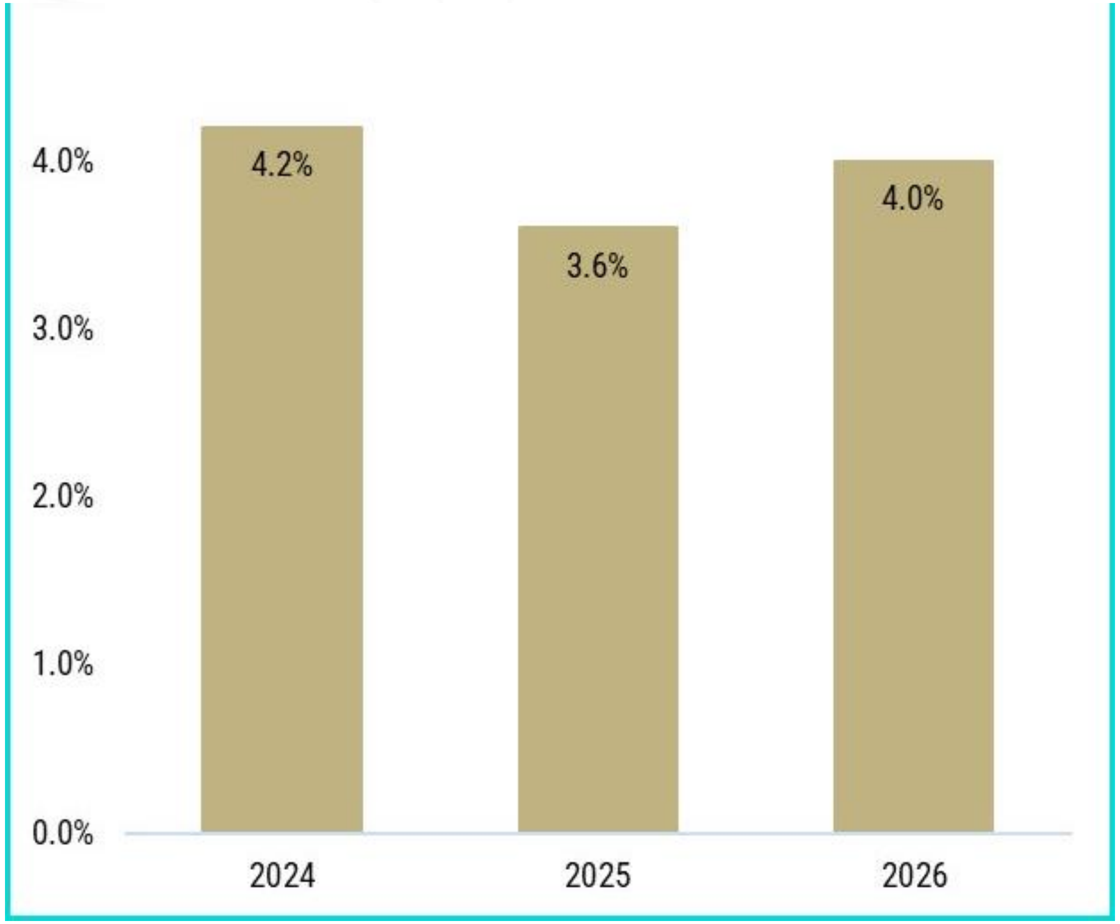
GROWTH

Namibia's GDP growth is projected to slow to 3.5 percent in 2025 before improving marginally to 3.9 percent in 2026



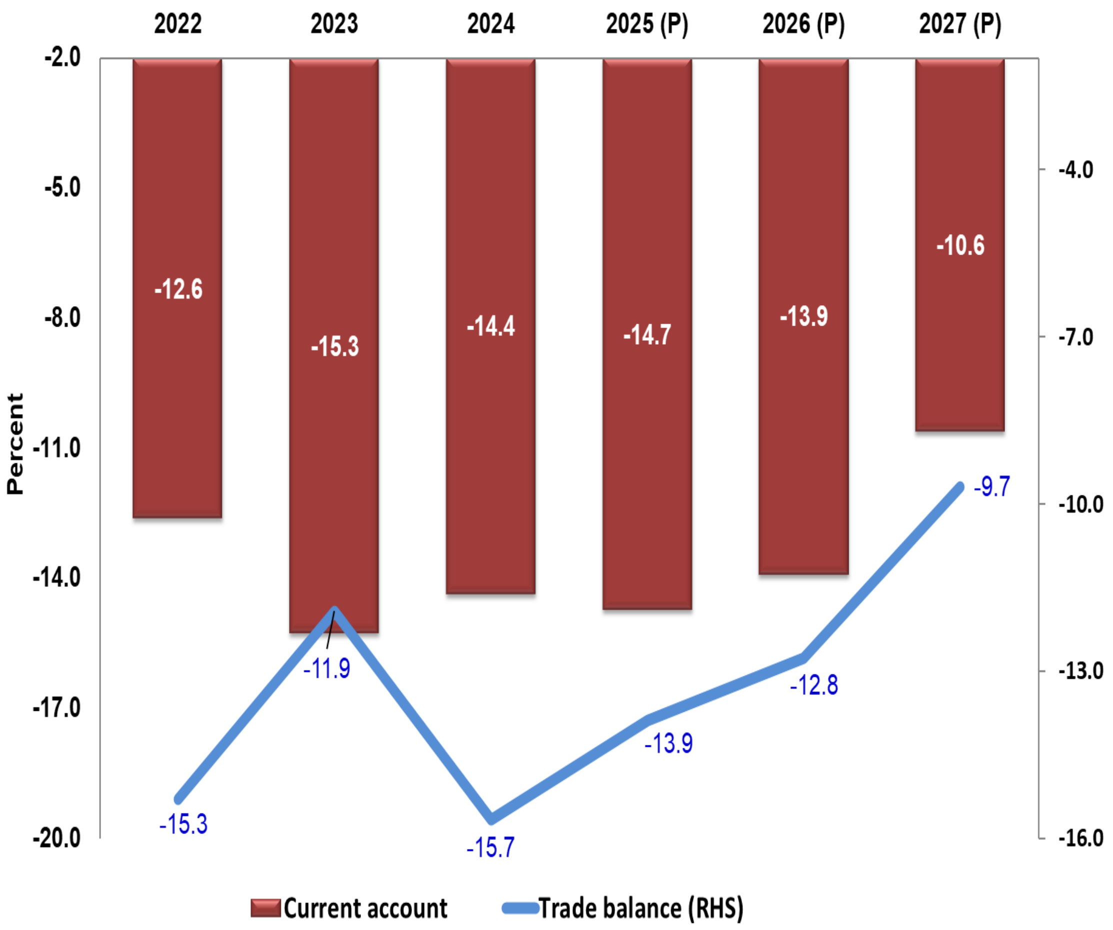
INFLATION

Inflation is forecast to slow in 2025 and remained at manageable levels



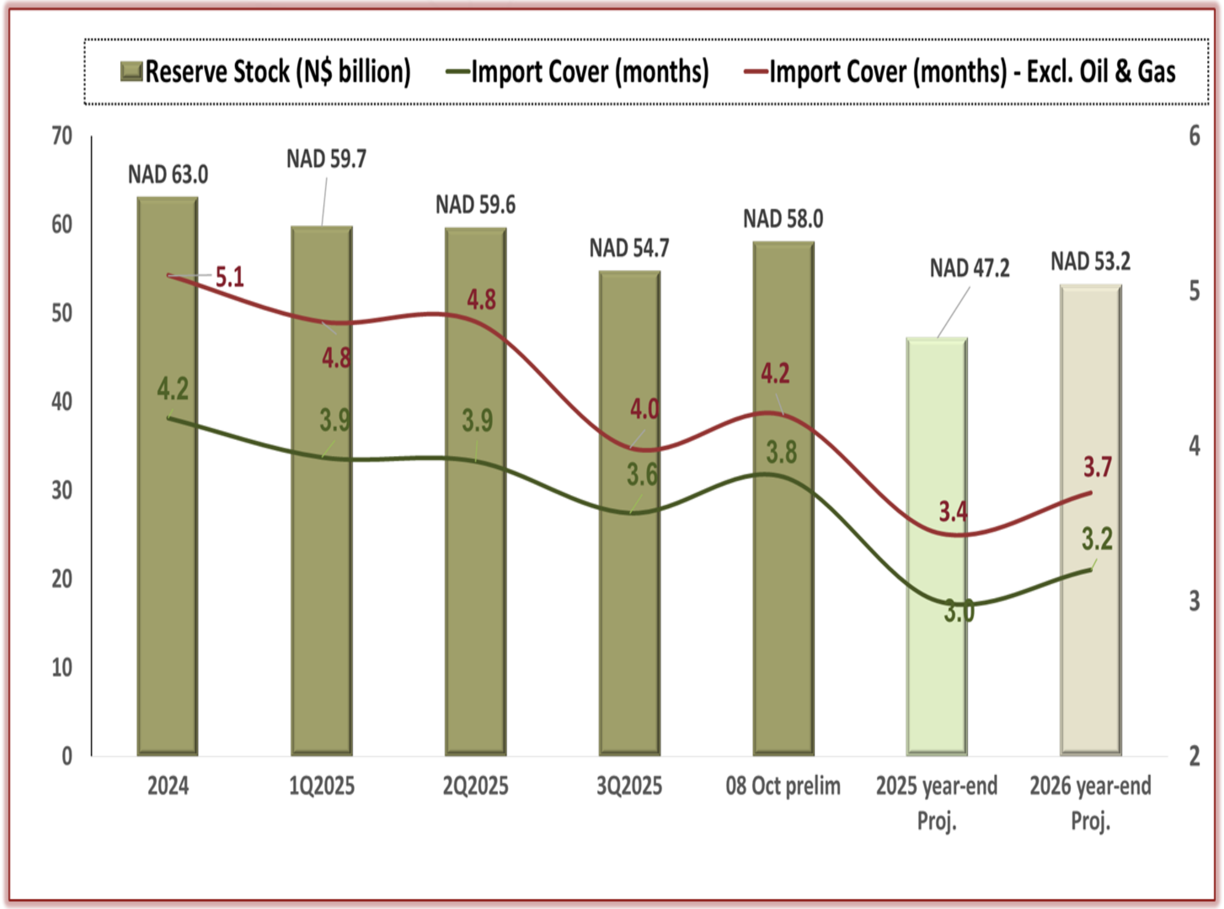
TRADE BALANCE

Namibia's current account deficit is projected to remain elevated in 2025



RESERVES

Reserves remained adequate to sustain the currency peg and support the country's external obligations



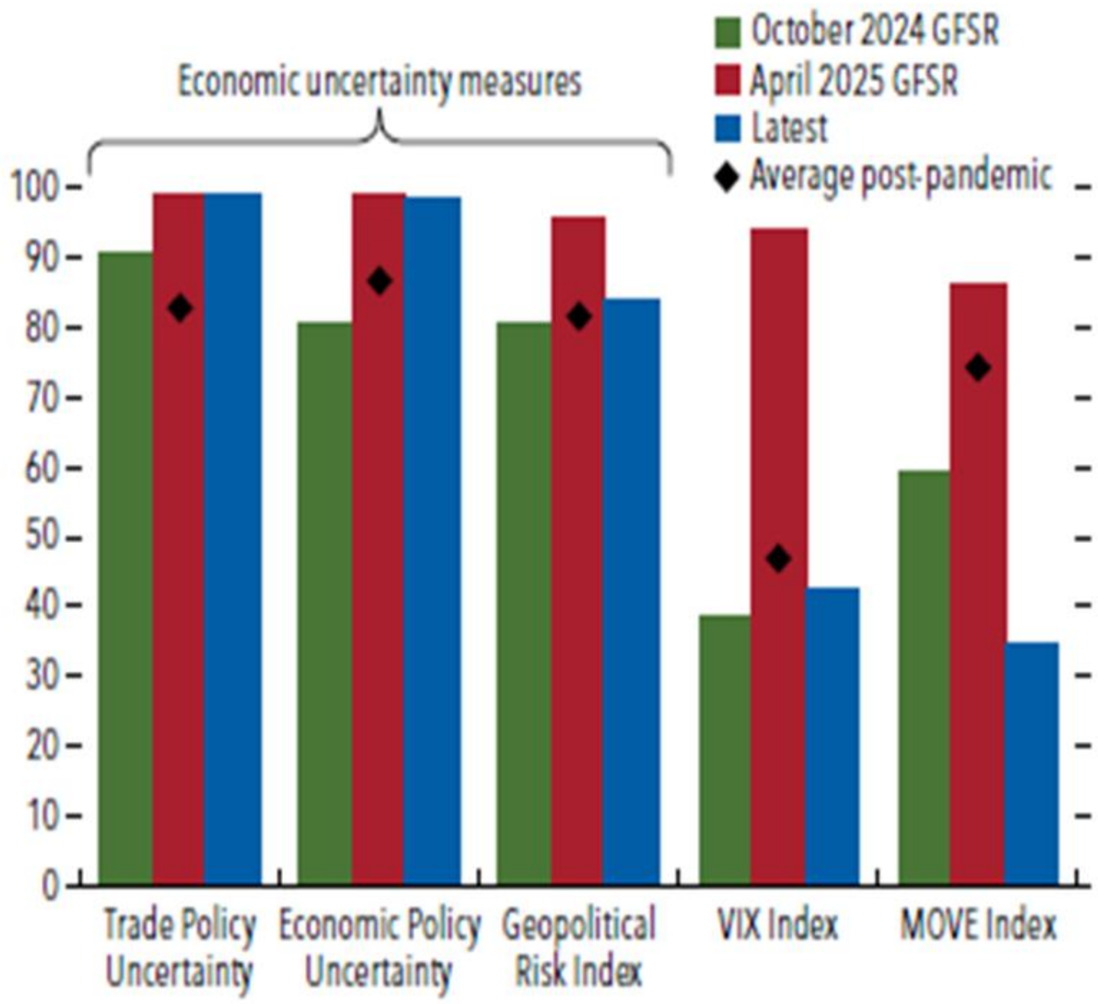
Projected Flows on Reserves

- Gold proceeds ↑
- Uranium proceeds ↑
- Diamond proceeds ↓
- SACU proceeds ↓

	NAD Billion
Stock as of 30 September 2025	54.7
SACU Receipts	5.3
IMF RFI Loan Repayment	-0.6
Eurobond Redemption	-13.3
New foreign loans	6
Net Commercial bank outflows	-4.9
Stock as of 31 December 2025	47.2

GLOBAL RISKS

GLOBAL FINANCIAL STABILITY REPORT



Despite easing global financial conditions, the following three macro-financial risks remains elevated.

1. Stretched asset valuation
2. Mounting fiscal strain is exerting pressure on bond yields
3. Increasing bank-NBFIs interconnectedness

EFFECT ON DOMESTIC FINANCIAL STABILITY

- **Spillover effects** occur through various channels, including the real economy, financial markets, exchange rates, and capital outflows.

- **Maintain strong capital and liquidity buffers,** supported by robust crisis management frameworks as well as strengthen financial sector safety nets and oversight on NBFIs.

- **Risks to the Namibian financial system** stability remain low to moderate.

DIAMOND OUTLOOK

GLOBAL DIAMOND OUTLOOK

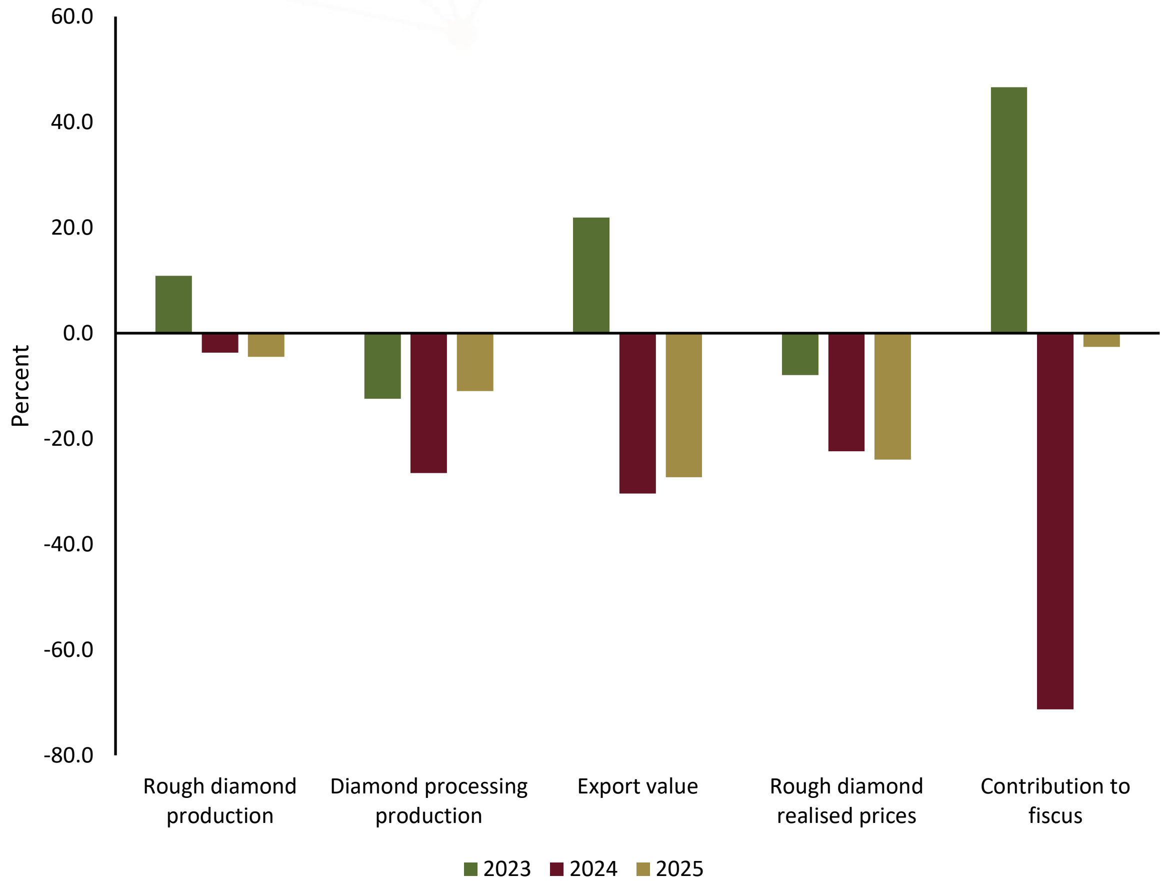
The diamond industry is facing headwinds that may persist in the medium term, driven by structural and cyclical factors

Source: Paul Zimnisky Index

- **The natural diamond industry** has been on a downward trend since 2022, negatively impacted by various factors:
    - **Increasing market** share of Lab Grown Diamonds
    - **Weak consumer demand** from major economies such as the US and China
    - **Increasing supply** from some producers selling at low prices
    - High levels of **inventories** in the midstream
    - Most recently, **tariff-related uncertainties** continue to exert pressure on the diamond trading environment.

NAMIBIA DIAMOND OUTLOOK

- **Diamond mining production** is expected to contract by 4.5 percent in 2025 and by 5.7 percent in 2026, following a 3.7 percent contraction in 2024.
- Year to date**, rough diamond export proceeds** declined further by 19.4 percent to N$6.0 billion, whereas polished diamond export fell by 23.2 percent to N$2.7 billion.
- **Diamond's contribution** to the fiscus in terms of corporate income tax, royalties and dividend payments has reduced substantially.
- **Domestic diamond companies** remain cash-constrained due to debt service obligations, falling revenue and key investments to enhance efficiency.



CURRENCY

PROGRESS ON HGG COMMEMORATIVE BANKNOTE UPTAKE

The HGG commemorative circulating banknote was launched on 05 March 2025 and issued into circulation on 17 March 2025.

Printed 2 million pieces of the N$60.00 banknote and to date, 717,000 pieces (36%) have been issued through commercial banks.

One of the largest commercial banks has calibrated its ATMs and is now dispensing the new N$60.00 banknote as of today.

Interest from the international collectors' market remains strong, with approximately 9,808 pieces from the initial print run already procured globally.

Engagements with other banks are underway to ensure they follow suit in due course.

ISSUANCE OF NEW CURRENCY SERIES

CHALLENGES EXPERIENCED

The new Currency Series was launched on 23 July 2025 and issued into circulation on 29 September 2025 in Mariental.

- To date, all **Commercial Banks can dispense the new currency,** which is available at both ATMs and within banking halls.
- Integration of cash-handling equipment with the new currency series is 85% complete, ensuring industry-wide readiness.
- Since its issuance into circulation, the total value of the new currency issued amounts to N**$225.9 million.**

- Deposit taking ATMs, parking meters and vending machines are not yet calibrated for the new banknotes. Calibration is anticipated by **end-November 2025.**
- Mutilating national currency is a crime. Offenders face up to **N$50,000.00** fine, **3 years in prison**, or both.

EUROBOND REDEMPTION PLAN

History

- Issued in 2015
- Targeted towards the development needs of the country
- Budget Support and Balance of Payments
- To be redeemed 29 October 2025

Sovereign Debt Management Strategy

- Redemption of the Eurobond aligned to SDMS.
- Strategy reduces FX risk.

N$13.5 billion has been mobilized.

Operational Preparedness

- Scheduled delivery of funds towards redemption, ahead of due date.
- Close collaboration between MoF and BoN.

Investor Confidence

- Redeeming this Bond underpins the Sovereigns commitment to ensure our credit worthiness

USDZAR Exchange rate assumption 17.5

GOLD ACCUMULATION STRATEGY

GOLD RESERVES

Why Gold Remains a Strategic Asset

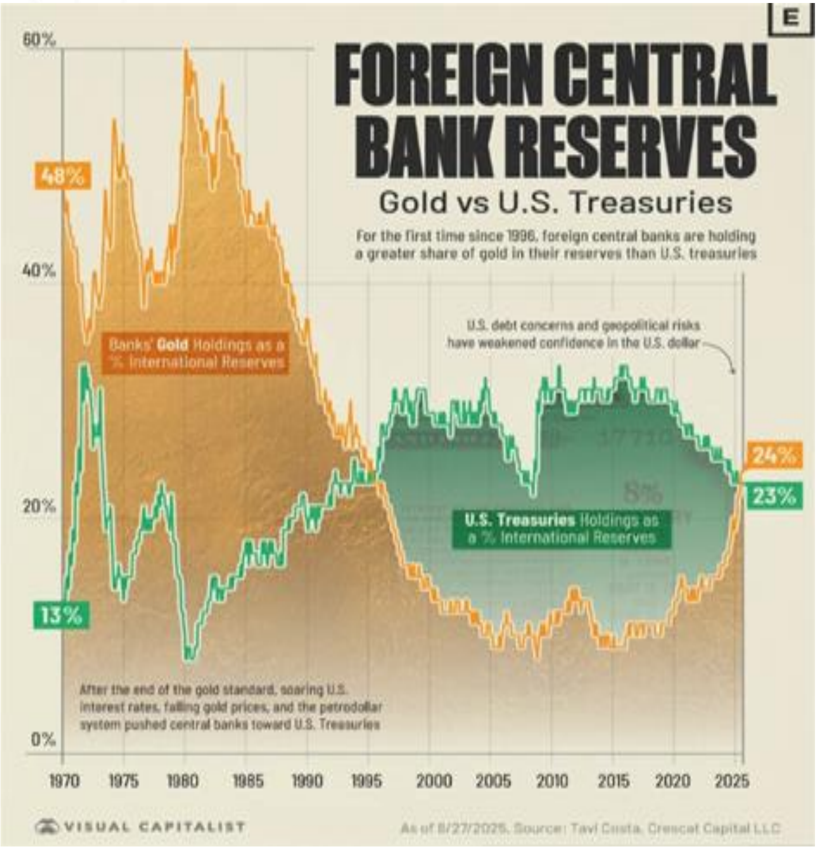
01 **Diversification and Risk Mitigation**

02 **Store of Value and Inflation Hedge**

03 **Liquidity and Global Acceptance**

04 **Strategic and Sovereign Autonomy**

Recent Market Dynamics



- ❑ Gold price set record highs recently, driven by ETF Flows, safe haven demand and a weaker USD.
- ❑ Going forward, Gold prices will remain supported by the broader theme of de-dollarisation.

GOLD ACCUMULATION STRATEGY

The Bank has commenced with gold accumulation as part of its foreign exchange reserve management strategy.

1

Acquired from Local Mines

2

London Bullion Market Association Good Delivery Bars, 99.9% purity.

3

Domestic Custody and Storage.

4

Part of Foreign Exchange Reserves

5

The move to include gold, targeting 3 percent of net FX reserves, aligns with global central banking trends.

6

Strategic value in hedging against inflation and enhancing resilience during economic shocks.

THANK YOU

Bank of Namibia