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REPO RATE MAINTAINED AT 6.75 PERCENT

On 11 and 12 August 2025, the Monetary Policy Committee (MPC) of the Bank of Namibia held its fourth bi-monthly meeting of 2025 to decide on the appropriate monetary policy stance for the next two months. To continue safeguarding the peg between the Namibia Dollar and the South African Rand, while supporting the domestic economy, the MPC unanimously decided to keep the Repo rate unchanged at 6.75 percent. This policy stance was informed after a thorough review of current and projected domestic, regional and global economic developments.

RECENT ECONOMIC DEVELOPMENTS

The domestic economy maintained positive momentum during the first six months of 2025. Domestic inflation has remained subdued since the previous MPC meeting, while growth in Private Sector Credit Extension (PSCE) improved further. The merchandise trade deficit has continued to narrow, while the stock of international reserves has remained sufficient to maintain the currency peg and meet the country's international financial obligations.

1. Domestic economic activity expanded during the first half of 2025, albeit at a slower pace compared to the corresponding period in 2024. The expansion primarily reflected improved economic activity in the *mining, tourism, wholesale and retail trade, transport* and *communication* sectors, as well as the *crop farming* and *electricity* subsectors. Meanwhile, activity in the *diamond mining* subsector remained weak.

2. Looking ahead, real GDP growth is projected at 3.5 percent for 2025 and 3.9 percent for 2026 relative to 3.7 percent in 2024. This forecast represents downward revisions of 0.3 percentage point for 2025 and 0.1 percentage point for 2026 compared to the April 2025 forecast. The revision to the 2025 growth is largely ascribed to a contraction in primary industries, particularly the livestock subsector on account of restocking activity. Risks to

the domestic outlook remain tilted to the downside, primarily reflecting the impact of global trade policy shifts, depressed international diamond prices and geopolitical tensions. Domestically, water supply interruptions, especially in coastal towns, could likely weigh on growth prospects.

3. Annual inflation eased to 3.6 percent on average during the first seven months of 2025, relative to 4.8 percent during the same period in 2024. The deceleration is primarily attributed to lower inflation in the categories of *housing* and *alcoholic beverages*, augmented by the deflation in the *transport* category. Since the last MPC meeting, however, inflation stood at 3.5 percent in July 2025, unchanged compared to the May 2025 print although it ticked higher to 3.7 percent in June.

4. For 2025 and 2026, inflation is forecast to average 3.8 percent and 4.2 percent, respectively. This forecast is 0.1 percentage point below previous projections for both 2025 and 2026, reflecting lower crude oil price assumption.

5. The annual growth in PSCE shows positive signs of recovery, rising to 5.7 percent in June 2025 compared to 4.5 percent in April 2025. The signs of recovery are also confirmed by the PSCE growth which rose to 4.6 percent on average during the first half of 2025, from 2.0 percent during the same period in 2024. This recovery was primarily due to the higher uptake of credit by businesses, especially in the categories *other loans, advances and overdraft,* as well as *instalment sale and leasing* credit.

6. Turning to the external sector, Namibia's merchandise trade deficit has narrowed by 28.2 percent to N$12.8 billion during the first six months of 2025, compared to the same period in 2024. The narrower trade deficit was due to a substantial rise in export earnings, predominantly from *uranium* and *gold*, compared to the moderate increase in import payments.

7. The stock of international reserves remains adequate, rising to N$58.1 billion at the end of July 2025 from N$57.4 billion as at the end of May 2025, aided by SACU receipts. This level of foreign reserves translates to an estimated import cover of 3.8 months, which is considered 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, with the medium-term outlook revised upward. Since the previous MPC meeting, global inflation has generally remained contained. Key global stock markets gained, while bond markets varied. Monetary policy stances eased across several of the monitored central banks.

8. Global growth has been treading water since the previous MPC meeting, according to the available second-quarter GDP data. Year-on-year growth was unchanged in the US, while it slowed in the Euro Area and China. Looking ahead, the International Monetary Fund, in its July 2025 World Economic Outlook (WEO) Update, has projected growth at 3.0 percent for 2025 and 3.1 percent in 2026, compared to 3.3 percent in 2024. This is a lesser deterioration in growth compared to the previous WEO forecast that was released in April 2025.

9. Developments in key commodity prices were mixed since the last MPC meeting. The price of gold fluctuated somewhat but has softened below the level observed at the previous MPC meeting. Crude oil prices declined since the last MPC meeting, consistent with the increase in oil production, thereby assisting in the containment of inflationary pressures. Turning to base metals, zinc futures prices continued to rise, largely supported by a decline in global inventory levels. Copper prices rallied in late July 2025 but then declined notably, following the United States' exemption of new tariffs on refined copper. Despite falling from their June 2025 highs, uranium spot prices have remained firm, aided by underlying demand for carbon-neutral baseload electricity supply. Diamond prices remain subdued, mainly due to weaker global demand and partly due to competition from lab-grown diamonds.

10. Key global stock markets generally gained since the last MPC meeting, fluctuating higher despite the imposition of new tariffs by the United States. Bond yields have shown divergent patterns across the monitored economies, with yields on balance edging higher in Germany, Japan and China but receding somewhat in the United States and falling notably in South Africa as policy actions and pronouncements by the central bank resulted in lower inflation expectations.

11. Inflation in key economies has adjusted upward since the June 2025 MPC meeting. Among the monitored Advanced Economies (AEs), inflation rose in the United States, the United Kingdom and the Euro Area, but eased in Japan. Additionally, inflation edged

higher in most of the key Emerging Market and Developing Economies (EMDEs), except in China, where consumer prices stabilised. Looking ahead, however, the IMF expects global inflation to recede from 5.7 percent in 2024 to 4.2 percent in 2025 and 3.6 percent in 2026, broadly unchanged relative to the April 2025 WEO.

12. With regards to policy rates, most of the monitored central banks held rates steady since the June 2025 MPC meeting. In the key AEs, the policy rates of the US Federal Reserve, the European Central Bank, and the Bank of Japan remained unchanged, while the Bank of England reduced its policy rate. Meanwhile, trends in policy rates in the monitored EMDEs varied, with the central banks of China and India holding rates steady, while those of South Africa and Russia reduced rates. Conversely, the Bank of Brazil further tightened its policy rate.

MONETARY POLICY STANCE

13. Against this background, the MPC unanimously decided to maintain the Repo rate unchanged at 6.75 percent. Commercial banks are accordingly expected to keep their prime lending rates at 10.50 percent. This policy stance will continue to safeguard the one-to-one link between the Namibia Dollar and the South African Rand, while supporting domestic economic activity.

14. In accordance with the guidance note issued by the Bank of Namibia in June, commercial banks are expected to reduce their prime lending rates by 12.5 basis points to 10.375 percent by the end of September 2025. The normalisation in the prime-repo spread that is in the pipeline is expected to provide support for domestic economic activity and credit growth going forward.

15. Maintaining the Repo rate unchanged, while the anchor country’s repo rate was reduced in July, was a further step towards narrowing the interest differential between Namibia and South Africa. The MPC is pleased to note that, while the gap has been closing, the Repo rate in Namibia would remain 25 basis points lower than in the anchor country – which is good for supporting the domestic growth - without jeopardising the stability of capital flows that has been observed to date.

16. The MPC further acknowledged the South African Reserve Bank's recent announcement of a reduction in its preferred inflation rate to 3.0 percent from 4.5 percent. The Committee welcomes and recognises the positive policy development associated with this stance to promote price stability and strengthen monetary policy transmission.

17. The next MPC meeting will be held on 13 and 14 October 2025.

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For the latest Bank of Namibia inflation forecast as reviewed by the MPC, follow this link.