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REPO RATE MAINTAINED AT 6.50 PERCENT

On the 16th and 17th of February 2026, the Monetary Policy Committee (MPC) of the Bank of Namibia held its first 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 available economic indicators. To continue safeguarding the peg between the Namibia Dollar and the South African Rand, and supporting the domestic economy, the MPC unanimously decided to keep the Repo rate unchanged at 6.50 percent.

RECENT ECONOMIC DEVELOPMENTS

The global economy held up well amidst heightened global trade tensions and policy uncertainty during 2025, with the global growth rate estimated to have remained unchanged from the level recorded in 2024. While inflation continued to slow down across monitored economies since the previous MPC meeting, key commodity prices trended upwards. Similarly, key global stock markets generally gained, while bond yields broadly declined. Meanwhile, trends in monetary policy stances across most major central banks have been mixed.

1. Despite indications of slower growth across most monitored economies since the previous MPC sitting, the global economy exhibited resilience to policy uncertainty and trade tensions in 2025. Looking ahead, the International Monetary Fund (IMF), in its January 2026 World Economic Outlook (WEO) Update, projects global growth to remain steady at 3.3 percent in 2026, unchanged from the preceding two years, before marginally slowing to 3.2 percent in 2027. The 2026 growth forecast represents a 0.2 percentage point upward revision from the October 2025 WEO.

2. The prices of some of Namibia's key export commodities increased since the previous MPC meeting. In this regard, the price of gold continued to hover near historic highs,

bolstered by sustained safe-haven demand and a relatively weaker US Dollar. Zinc and copper prices also edged up further during the period under review, owing particularly to supply concerns. More encouraging, the uranium spot price remained elevated, mainly supported by sustained demand. Of concern, however, diamond prices that traditionally contribute significantly to the domestic economy continued to face downward pressures, mainly due to competition from lab-grown diamonds and high inventory levels. Meanwhile, crude oil prices have since reversed the downward momentum noted at the previous MPC meeting, rising on account of renewed geopolitical tensions.

3. Key global stock markets generally recorded gains since the December 2025 MPC meeting. Notably, although the S&P 500 index declined most recently due to artificial intelligence stock-driven disruptions, it has since recovered somewhat above the levels observed at the previous MPC sitting. Additionally, the Johannesburg Stock Exchange remained strong, primarily owing to robust performance in the mining and financial sectors. Turning to bond markets, yields continued to descend, notably in South Africa, where an improving fiscal environment and lower inflation expectations continued to support investor confidence.

4. Global inflation continued to moderate since the previous MPC meeting. In this context, consumer price inflation decelerated in most advanced and emerging market economies on account of lower energy and food prices. Going forward, the IMF projects global inflation to slow further from an estimated 4.1 percent in 2025 to 3.8 percent and 3.4 percent in 2026 and 2027, respectively.

5. Monetary policy stances have varied across monitored central banks since the Bank of Namibia’s last MPC meeting. While the US Federal Reserve, the Bank of England, the Bank of Russia and the Bank of India lowered their policy rates, several other central banks, including the Reserve Bank of South Africa, have held rates steady. The Bank of Japan, however, increased its policy rate during the same period.

Turning to the domestic economy, growth in real Gross Domestic Product is estimated to have moderated in 2025 relative to 2024, while the uptake of credit by the private sector remains subdued. On a positive note, inflation remained well contained, and the merchandise trade deficit narrowed. The stock of international reserves remains

sufficient to maintain the currency peg and meet the country's international financial obligations.

6. Domestic economic activity slowed during the first three quarters of 2025, largely reflecting contractions in the *agriculture*, *fishing*, *mining* and *manufacturing* sectors. This is further corroborated by a slowdown in most high-frequency indicators, which suggest subdued economic activity in 2025 relative to 2024. Consequently, the estimated growth for 2025 is anticipated to be lower than previously projected in the Bank of Namibia's December 2025 Economic Outlook.

7. Domestic inflation remains well contained. In this regard, average inflation fell to a post-pandemic low of 3.5 percent in 2025 from 4.2 percent in 2024, slightly undershooting our prior forecast of 3.6 percent. The slower inflation outcome was primarily ascribed to disinflationary pressures in *transport*, *housing* and *alcoholic beverages*. The most recent inflation print indicates a further deceleration to 2.9 percent in January 2026 from 3.6 percent in October 2025 recorded at the previous MPC meeting. This deceleration was aided primarily by a notable slowdown in *food* inflation.

8. Looking ahead, inflation is projected to remain steady at 3.5 percent in 2026 before moderating to 3.4 percent in 2027. The 2026 forecast has been revised downward by 0.3 percentage point, on assumptions of lower oil and food prices alongside a stronger currency. Nevertheless, upside risks remain, including potential increases in administered prices, exchange rate volatility and geopolitical tensions.

9. The annual growth in PSCE remains subdued, reflecting reduced credit uptake by both *businesses* and *households*. From its post-pandemic peak of 5.9 percent in September 2025, PSCE growth declined to 4.4 percent in December 2025. Moreover, although the average annual PSCE growth rate nearly doubled to 4.9 percent in 2025 relative to 2.5 percent in 2024, it still remains weak.

10. Namibia's external position benefited from higher export volumes and strong commodity prices. The annual merchandise trade deficit narrowed by 35.4 percent to N$25.0 billion in 2025. This improved position reflects robust export earnings, especially from *uranium* and *gold*, which outweighed the impact of a modest increase in import payments.

11. The stock of international reserves recovered from the decline recorded in October 2025, following the successful redemption of the USD750 million Eurobond. Foreign reserve assets increased to N$51.9 billion at the end of January 2026 from N$48.6 billion at the end of October 2025, particularly underpinned by SACU receipts. At this level, foreign reserves translate to an estimated import cover of 3.3 months, which is sufficient to support the currency peg and meet the country's international financial obligations.

MONETARY POLICY STANCE

12. Following extensive deliberations, the MPC unanimously decided to maintain the Repo rate at 6.50 percent. Commercial banks are accordingly expected to keep their Prime lending rates at 10.00 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.

13. In determining the appropriate monetary policy stance, the MPC noted the sustained appreciation of the exchange rate, which has assisted to rein in inflation. The Committee further considered the weaker domestic economic activity and private sector credit extension, as well as benign inflation projections. However, weighing these against the imperative to ensure orderly capital flows in the interest of safeguarding the currency peg arrangement, the MPC decided to keep the Repo rate unchanged at its current level. Furthermore, the supportive effects of prior monetary policy easing, together with the prime-repo rate differential normalisation achieved since December 2025, are considered sufficient to continue providing support to the domestic economy.

14. The next MPC meeting will be held on 27 and 28 April 2026.

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