

BANK OF NAMIBIA

Minutes of the Monetary Policy Committee (MPC) Meeting

Windhoek, 11 - 12 August 2025



“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

Douglas 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); Daisy Mbazima-Lando (Principal Economist: RFSDD); Reinhold Kamati (Economic Advisor: RFSDD); Helvi Fillipus (Economic Advisor: RFSDD); Grace Hamauka (Principal Economist: RFSDD); Brian Mbazuvara (Technical Expert: RFSDD); Elifas Iiyambula (Principal Economist: RFSDD); Gracianu Kavaleka (Senior Economist: RFSDD); Daniel Kavishe (Principal Economist: FMD).

PARTIAL ATTENDANCE

Florette Nakusera (Director: Financial Stability and Macroprudential Oversight (FSMOD)); Anthea Angermund (Deputy Director: FMD); Anna William (FSMOD); Bernie Zaaruka (RFSDD); Mukela Mabakeng (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 Katjuijanjo (Senior Economist: RFSDD); Metilda Ntomwa (Senior Economist: RFSDD); Vejama Mootu (Senior Economist: RFSDD); Hilya Lazarus (Senior Economist: RFSDD); Charlotte Tjeriko-Katjuijanjo (Senior Economist: RFSDD); Sevelia Nakalemo (Senior Economist: RFSDD); Christof Kalumbu (Senior Economist: RFSDD); Isabel Nghinamupika (Senior 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 (Acting Deputy Director: SCIRD); Maria Ngolo (Graduate Accelerated Program Candidate); Nelago Aluvilu (Intern: RFSDD); Queen Muluta (Senior Economist: FMD).

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 the global economy continued to exhibit resilience, with the medium-term outlook revised upward.** The MPC was apprised that global growth appeared to have been treading water since the previous MPC sitting. Available second-quarter data indicated that year-on-year growth remained steady in the United States (US), while it slowed in the Euro Area and China. This was corroborated by purchasing managers' indices, which largely remained in contractionary territory in the Advanced Economies (AEs). Looking ahead, the International Monetary Fund revised global growth prospects upward in its July 2025 World Economic Outlook (WEO) Update. Accordingly, growth was projected at 3.0 percent for 2025 and 3.1 percent for 2026, from 3.3 percent in 2024, higher compared to the previous forecast.
- 2. The MPC noted that the Brent crude oil futures prices had declined since the previous MPC meeting.** Brent crude futures receded to approximately US\$66 per barrel on 12 August 2025, compared to US\$74 per barrel prevalent at the previous MPC sitting. The decline in oil prices was ascribed to a surge in oil production, augmented by slowing global growth.
- 3. Diamond prices remained weak, mainly attributed to weaker global demand.** The Zimnisky global rough diamond price index continued to trend lower on a year-on-year basis, primarily on account of weaker global demand and competition from lab-grown diamonds. Notwithstanding, the MPC noted a slight uptick in diamond prices since the last MPC meeting, largely due to reduced supply.
- 4. Gold and uranium prices had remained firm since the previous MPC meeting.** Gold futures fluctuated somewhat but softened to around US\$3 399 per ounce on 11 August 2025, relative to US\$3 453 per ounce on 13 June 2025. Nevertheless, prices remained firm, largely on account of safe-haven demand. To the contrary, the uranium spot price continued to gain traction, rising from approximately US\$70 per pound on 13 June 2025 to around US\$73 per pound on 11 August 2025. This gain was aided by the underlying demand for carbon-neutral baseload electricity supply.
- 5. Copper and zinc prices increased since the previous MPC meeting, albeit with varying magnitudes.** Despite rallying in late July 2025, copper prices stood at approximately US\$9 733 per metric tonne on 11 August 2025, compared to US\$9 637 per metric tonne on 13 June 2025. The recent decline mainly emanated from the United

States' exemption of new tariffs on refined copper. Meanwhile, zinc prices remained on an upward trajectory, rising to US\$2 814 per tonne from US\$2 627 per tonne over the same period, largely supported by a decline in global inventory levels.

- 6. The MPC noted that global inflation had ticked up since the June 2025 MPC sitting.** Among the monitored 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. Overall, it was observed that the impact of higher tariffs was beginning to propagate through the real economy. Looking ahead, however, the IMF projected global inflation to recede from 5.7 percent in 2024 to 4.2 percent and 3.6 percent in 2025 and 2026, respectively, broadly unchanged relative to the April 2025 WEO.
- 7. While the South African Reserve Bank (SARB) cut its policy rate, most of the other key central banks kept policy rates steady since the June 2025 MPC meeting.** In the key AEs, 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. Unlike in the AEs, trends in policy rates in the monitored EMDEs varied. The central banks of China and India held rates steady, while those of South Africa and Russia reduced rates. Conversely, the Bank of Brazil further tightened its policy rate, as inflation remained elevated and was forecast above the tolerance level.
- 8. The MPC was further briefed on recent key developments in Botswana and South Africa.** In the case of Botswana, the Committee was informed that the Ministry of Finance, in collaboration with the Bank of Botswana, had adjusted the country's exchange rate parameters to stimulate growth and preserve foreign exchange reserves. Specifically, at the July 2025 review, the downward rate of crawl was increased from 1.51 percent to 2.76 percent per annum, while the trading margins quoted by the Bank of Botswana rose from ± 0.5 percent to ± 7.5 percent around the central rate. Turning to South Africa, the Committee was apprised that the South African Reserve Bank (SARB) had communicated a preference for targeting the lower end of the inflation target band, from the midpoint of 4.5 percent. The department further added that the country's official target, however, remained the 3-6 percent range, with discussions to lower the official target between the central bank and the National Treasury still in progress.

9. The MPC noted the recent global economic developments.

THE DOMESTIC ECONOMY

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

10. The MPC was apprised that the domestic economy maintained positive momentum during the first six months of 2025. 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* and *polishing* subsectors remained weak.

11. In the near term, domestic growth prospects were revised downward relative to the previous projection. In particular, real GDP growth was projected to fall from 3.7 percent in 2024 to 3.5 percent in 2025, before recovering to 3.9 percent in 2026. This was a lower forecast compared to the April 2025 projections, by 0.3 percentage point for 2025 and 0.1 percentage point for 2026. The 2025 downward revision was largely ascribed to the expected contraction in the primary industries, particularly the *livestock* subsector, on account of restocking activity. Risks to the domestic outlook remained 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.

12. Domestic inflation remained subdued, year-to-date. 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. This deceleration was 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 was unchanged in July 2025 at 3.5 percent compared to the May 2025 print.

13. Looking ahead, inflation projections for 2025 and 2026 were adjusted downward. Inflation was forecast to average 3.8 percent in 2025 and 4.2 percent in 2026. This forecast was 0.1 percentage point below previous projections for both 2025 and 2026, reflecting a lower crude oil price assumption.

14. Annual growth in Private Sector Credit Extension (PSCE) continued to exhibit positive signs of recovery. Annual growth in PSCE rose to 5.7 percent in June 2025 from 4.5 percent in April 2025. Similarly, PSCE growth increased 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 *other loans, advances and overdrafts* and *instalment sale and leasing* credit categories.

15. The Central Government's debt stock increased since the start of the fiscal year to the end of June 2025, primarily driven by domestic borrowing. Central Government's debt stock stood at approximately N\$171 billion, rising by 8.4 percent relative to the same period in the previous fiscal year. The increase reflected higher domestic issuance of both treasury bills and internal registered stock. Conversely, external debt declined due to repayments and the appreciation in the exchange rate.

16. On the external front, Namibia's merchandise trade deficit improved during the first half of 2025. Namibia's merchandise trade deficit narrowed by 28.2 percent to N\$12.8 billion during the first half of 2025, compared to the same period in 2024. The narrower trade deficit was ascribed to a substantial rise in export earnings, predominantly from *uranium* and *gold*, compared to a moderate increase in import payments. Despite the deficit improving, it remained relatively large.

17. The stock of international reserves remained sufficient to support the currency peg and fulfil Namibia's international financial obligations. Foreign reserves rose 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 on 1 July. This level of international reserves translated to an estimated import cover of 3.8 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.

18. The MPC acknowledged the recent domestic economic developments.

ADOPTION OF THE MONETARY POLICY STANCE

19. 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 continued to exhibit resilience, with the medium-term outlook adjusted slightly upward, even though still below the longer-term growth rate trend.
- Since the June 2025 MPC meeting, global inflation ticked up, while most of the key monetary policy authorities maintained their policy rates steady.
- Prices for most key commodities showed mixed trends, with the gold price continuing to rise, whereas diamond prices remained subdued.
- Domestically, economic activity maintained positive momentum, year-to-date, albeit at a slower pace compared to the same period in 2024.
- Domestic inflation decelerated during the first seven months of the year, thereby remaining subdued.
- PSCE growth continued to show positive signs of recovery but remained relatively muted.
- Foreign exchange reserves remained sufficient, and the merchandise trade deficit narrowed further, despite remaining relatively large.

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

21. This monetary policy stance was expected to be augmented by the imminent reductions in prime lending rates. It was specifically noted that, in accordance with the guidance note issued by the Bank of Namibia in June 2025, commercial banks were anticipated to reduce their prime lending rates by 12.5 basis points to 10.375 percent by the end of September 2025. This would be the first of two planned reductions in the prime-repo rate spread. The normalisation in the spread was expected to provide support for domestic economic activity and credit growth going forward.

22. Maintaining the Repo rate unchanged, while the anchor country's repo rate was reduced in July 2025, was a further step towards narrowing the interest differential between Namibia and South Africa. The MPC was pleased to note that the gap was closing, while also satisfied that the Repo rate in Namibia would remain 25 basis points lower than in the anchor country, which was appropriate for supporting the domestic growth without jeopardising the stability of capital flows observed to date.

23. The MPC further acknowledged the SARB’s recent announcement of a reduction in its preferred inflation rate to 3.0 percent from 4.5 percent previously. The Committee welcomed this policy development, recognising its potential to promote price stability, lower nominal interest rates in the longer run, make planning easier and bring about more healthy resource allocation in the economy. Further refinement of the South African monetary policy framework would be closely monitored.