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REPO RATE MAINTAINED AT 6.75 PERCENT

On 10 and 11 August 2026, the Monetary Policy Committee (MPC) of the Bank of Namibia held its fourth 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 economic indicators and mindful of the need to safeguard the peg between the Namibia Dollar and the South African Rand, the MPC unanimously decided to maintain the Repo rate at 6.75 percent.

RECENT ECONOMIC DEVELOPMENTS

Global economic activity moderated since the previous MPC meeting, while growth prospects remained largely unchanged. Monitored stock markets strengthened, while bond yields broadly increased. Most key commodity prices rose relative to their levels at the previous MPC meeting. Inflation eased across most monitored economies, while policy rates remained broadly steady.

1. Available indicators suggest that growth held firm in several monitored economies during the second quarter of 2026. Despite slowing, growth remained relatively solid in the United States (US) and China, while economic activity improved in the Euro Area. Overall, the global economy appears to have weathered the ongoing negative supply shock better than initially projected, partly due to investments in technology.

2. Looking ahead, global growth is forecast to remain broadly unchanged relative to the previous outlook. In particular, the International Monetary Fund (IMF) in its July 2026 World Economic Outlook, projected growth to slow from 3.5 percent in 2025 to 3.0 percent in 2026 before recovering to 3.4 percent in 2027. Risks to the outlook remain tilted to the downside, particularly stemming from potential re-escalation of geopolitical tensions in the Middle East. Moreover, commodity price volatility, eroded policy buffers, and supply shortages could further drag on global growth.

3. Key global stock markets rallied since the previous MPC meeting, while bond yields edged higher. Notably, the S&P 500 and the Johannesburg Securities Exchange's All Share Index recently recorded gains, supported in part by robust corporate earnings. Similarly, bond yields remained elevated across monitored jurisdictions, primarily reflecting inflation concerns amid geopolitical risk premia.

4. Prices of most key commodities increased since the previous MPC sitting. The price of gold rose somewhat on the back of safe-haven demand amid reduced optimism regarding higher US interest rates. Similarly, uranium spot prices increased, ascribed to sustained demand for clean energy. Zinc and copper prices also remained elevated on account of demand-supply imbalances. In contrast, rough diamond prices remained subdued, due to weak demand precipitated by competition from lab-grown diamonds.

5. Brent crude oil prices remained elevated since the previous MPC meeting. Prices initially declined, but as the conflict in the Middle East re-escalated, they soared close to US$100 per barrel before retreating to US$88 per barrel most recently. This illustrates persistent inflationary pressures emanating from the prolonged war.

6. Despite persistent inflationary pressures, the most recent inflation prints diverged across the monitored economies. Since the June 2026 MPC meeting, inflation was lower in the US, the Euro Area, the United Kingdom, Brazil and China, while it rose in Japan, India, Russia and South Africa. Nevertheless, inflation has generally remained above respective central bank targets, partly reflecting pass-through effects of the energy shock. Consequently, the IMF projects global inflation to accelerate from 4.1 percent in 2025 to 4.7 percent in 2026 before receding to 3.9 percent in 2027, 0.3 percentage point and 0.2 percentage point, respectively, above the April 2026 forecast.

7. Monetary policy rates across key economies remained broadly unchanged since the last MPC meeting. Accordingly, most monitored central banks, including the South African Reserve Bank, kept their policy rate steady since the last MPC meeting. The exceptions were the central banks of Brazil and Russia, which lowered policy rates.

Domestic economic activity remained weak during the first half of 2026, while inflationary pressures increased over the inter-MPC meeting period. Growth in Private Sector Credit Extension (PSCE) remained subdued, whereas the trade deficit worsened since the previous MPC meeting. Meanwhile, the preliminary stock of foreign reserves remained adequate to support the currency peg and meet the country's international financial obligations.

8. Domestic economic activity moderated during the first half of 2026 relative to the corresponding period in 2025. Available high-frequency indicators suggest broad-based sluggish economic performance, especially in the *mining*, *manufacturing*, *electricity generation*, and *transport* sectors. Meanwhile, improved economic activity was noted in the *agriculture* and *wholesale and retail trade* sectors.

9. Looking ahead, the growth outlook has been revised downward, with growth now forecast to recover from 1.7 percent in 2025 to 2.1 percent in 2026, 0.5 percentage point below the previous projections. The downward revision largely reflects contractions in the *primary* industries, alongside moderations in the *secondary* and *tertiary* industries. Downside risks to the outlook remain slower global growth, the Foot and Mouth Disease outbreak in neighbouring countries, and potential El Niño conditions.

10. Domestic inflationary pressures have remained elevated since the preceding MPC meeting. Accordingly, annual headline inflation rose to 4.4 percent in June 2026 from 4.1 percent in the preceding month, primarily driven by higher *transport* price inflation. Nevertheless, annual inflation averaged 3.2 percent during the first half of 2026, lower than the 3.6 percent recorded in the corresponding period of 2025, mainly due to lower *food* price inflation.

11. Going forward, domestic inflation is projected to remain elevated. In this regard, inflation is expected to rise from 3.5 percent in 2025 to 4.0 percent in 2026, then slow to 3.9 percent in 2027. The 2027 projection is 0.3 percentage point above the previous forecast, underpinned by the assumption of protracted geopolitical tensions in the Middle East.

12. Annual PSCE growth slowed relative to the last MPC meeting. Accordingly, PSCE growth decelerated to 4.5 percent in June 2026, 0.3 percentage point below the level recorded at the previous MPC meeting. This was mainly due to lower uptake of credit by businesses,

while credit extended to households rose. Similarly, PSCE growth over the first half of 2026 was marginally lower, averaging 4.5 percent, compared to 4.6 percent recorded in the corresponding period of 2025.

13. On the external sector, Namibia's merchandise trade deficit widened during the first half of 2026. Accordingly, the trade deficit worsened to N$19.3 billion during the first six months of 2026 from N$12.8 billion recorded in the same period in 2025. This was predominantly driven by elevated import payments, particularly for *mineral fuels*. Going forward, high import prices, alongside weakness in the diamond and gold subsectors, could weigh on the external position in the near term.

14. The preliminary stock of international reserves, however, rose to N$57.1 billion at the end of July 2026 from N$55.4 billion at the end of May 2026, supported by SACU receipts and customer foreign currency placements. At this level, foreign reserves translated into an estimated import cover of 3.5 months, which remains sufficient to support the currency peg and meet the country's international financial obligations.

MONETARY POLICY STANCE

15. Following a comprehensive review and extensive deliberations, the MPC decided to keep the Repo rate unchanged at 6.75 percent. Similarly, the Prime lending rate remains at 10.25 percent. This policy stance is deemed appropriate to support the stock of international reserves and safeguard the one-to-one link between the Namibia Dollar and the South African Rand.

16. In determining the appropriate monetary policy stance, the MPC considered the need to close the interest rate gap between Namibia and the anchor country to stem capital outflows, alongside elevated inflationary pressures. However, the Committee opted to keep the Repo rate steady, reflecting a balanced assessment of the subdued economic activity, a relatively benign inflation outlook and sufficient foreign exchange reserves.

17. The next MPC meeting will be held on 26 and 27 October 2026.

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