BoN MPC Meeting
August 2026

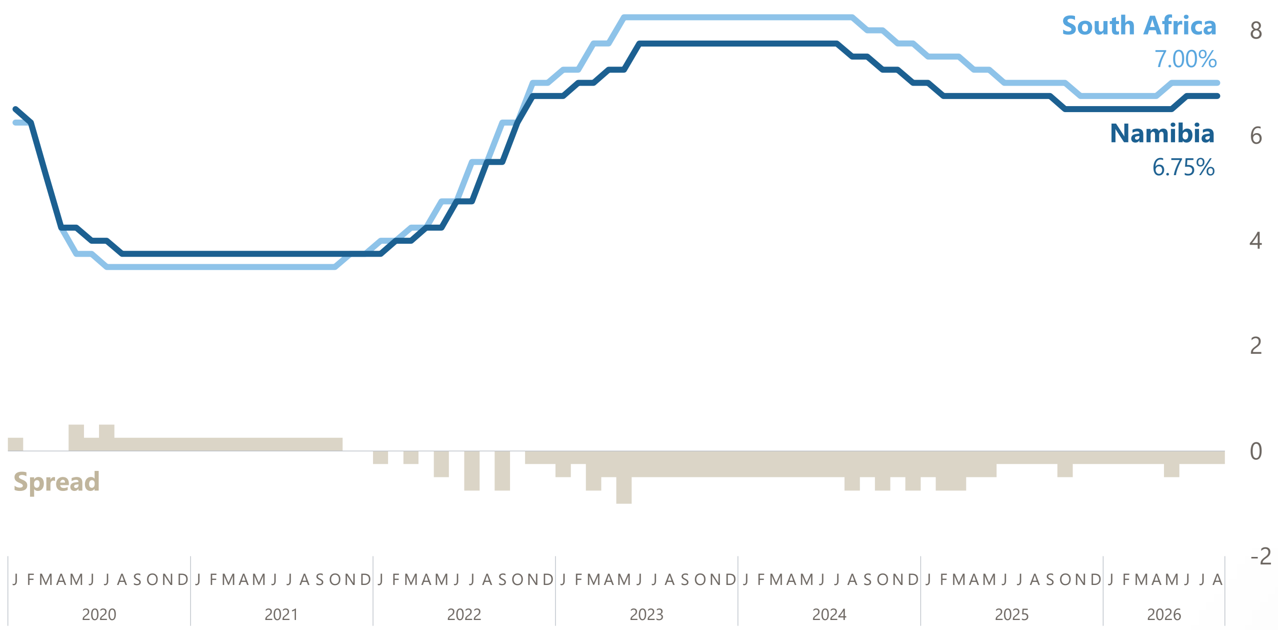
Key Focus Points:

- **The MPC unanimously voted to maintain the repo rate at 6.75%.**
- Unlike June, the Bank of Namibia explicitly confirmed that this decision was unanimous.
- The Bank of Namibia maintained its 2026 inflation forecast at 4.0%, but revised 2027 up to 3.9% (+0.3 p.p.)
- International reserves rose to N$57.1bn at the end of July 2026 (end-May: N$55.4bn), translating to an import cover of 3.5 months.

The decision keeps the interest rate differential to South Africa unchanged at 25bps. The MPC acknowledged the case for closing that gap to stem capital outflows, but judged subdued domestic growth, a relatively benign inflation outlook, and ample foreign reserves reason enough to hold.

Namibia holds repo rate at 6.75%, 25bps below South Africa

Repo rates, %



Source: Bank of Namibia, South African Reserve Bank, IJG Securities

Macro Backdrop

Global growth proved more resilient than initially feared heading into the third quarter of 2026. AI and technology investment continues to act as a strong counterfactor to the ongoing supply shock and is holding growth up better than expected.

The US and China both slowed somewhat, but remained relatively solid, while activity in the Euro area improved. The IMF's July 2026 World Economic Outlook still expects growth to decelerate, from 3.5% in 2025 to 3.0% in 2026, before recovering to 3.4% in 2027 (a slightly softer call than April's projection, which had 3.1% for 2026, but 3.2% in 2027). Therefore, on a two-year basis, the outlook has improved. Downside risks remain titled toward a potential re-escalation of Middle East tensions, commodity price volatility, eroded policy buffers, and supply shortages.

Commodity prices firmed broadly since the June meeting. Gold rose on safe-haven demand as optimism around further US rate hikes faded, while uranium spot prices increased on sustained clean-energy demand. This is a reversal from the marginal declines seen last cycle. Zinc and copper stayed elevated on demand-supply imbalances, while rough diamond prices remained structurally weak against lab-grown competition.

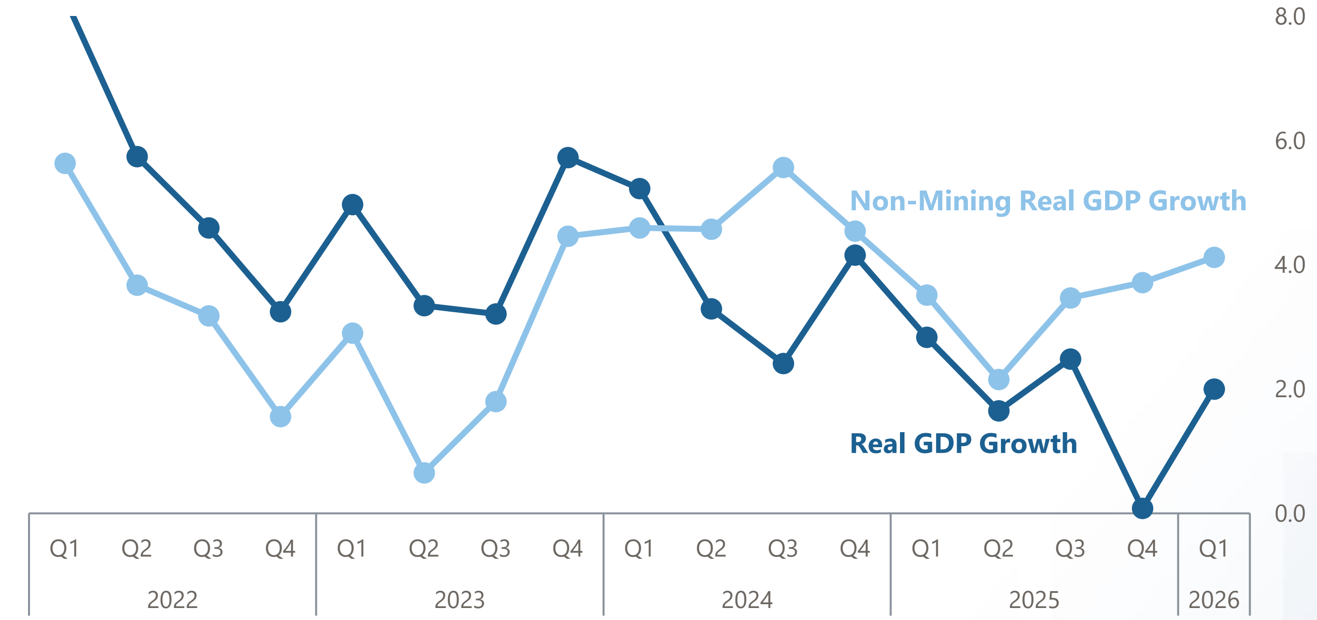
As for brent crude, prices initially eased before the Middle East conflict re-escalated, sending oil close to USD100/bbl before it retreated to USD88/bbl more recently. Global equities extended their rally on robust corporate earnings, with the S&P 500 and the JSE All Share both posting gains, while bond yields moved broadly higher on inflation concerns and geopolitical risk premia.

Domestic economic activity 'remained weak' through the first half of 2026, but this is from a real GDP (volume) perspective which is dragged down by the expected downturn in mining. The BoN referenced softness in mining, manufacturing, electricity generation, and transport, partly offset by improved activity in agriculture and wholesale and retail trade.

While this is partly true from a headline statistical sense, the non-mining economy is in fact growing at a healthy pace and on an upswing. Only Q1 2026 GDP data exists, and we know from other NSA data that electricity generation for Q2 is up 3.6% YoY, and transport volumes in the first five months are up 17.9% YoY. The real GDP growth figure still uses 2015 prices, prices are very different today, and it is erroneous to imply that we do not benefit from favourable prices in our mineral exports.

The non-mining economy doesn't appear weak

Quarterly GDP, year-on-year growth, %



Source: Namibia Statistics Agency, IJG Securities

Nonetheless, BoN's growth outlook has been revised downwards considerably, now expecting real growth to recover from 1.7% in 2025 to 2.1% in 2026 (previously 2.7% projected). This reflects contractions in primary industries alongside softer secondary and tertiary sector activity. The risk list has also widened this cycle, with the Food-and-Mouth Disease outbreak in neighbouring countries joining slower global growth and El Niño as downside risks.

Namibia's merchandise trade deficit widened sharply to N$19.3bn over 1H 2026, up sharply from N$12.8bn in 1H 2025, driven mainly by higher mineral fuel import bills. High import prices and softness in the diamond and gold subsectors are noted as ongoing risks to the external position. International reserves provided an offsetting cushion, however, rising to a preliminary N$57.1bn at the end of July 2026 (from N$55.4bn at end-May), supported by SACU receipts and customer foreign currency placements. At this level, reserves still translate to 3.5 months of import cover which is sufficient to safeguard the currency peg and meet Namibia's external obligations.

Inflation

Inflation trends diverged more than usual across monitored economies since the June meeting. Price growth eased in the US, Euro area, UK, Brazil and China, but rose in Japan, India, Russia and South Africa. On balance, the IMF now expects global inflation to accelerate from 4.1% in 2025 to 4.7% in 2026 (an upward revision of 0.3 percentage points) before easing to 3.9% in 2027 (also revised up, by 0.2 percentage points) as energy-shock pass-through works its way through price levels.

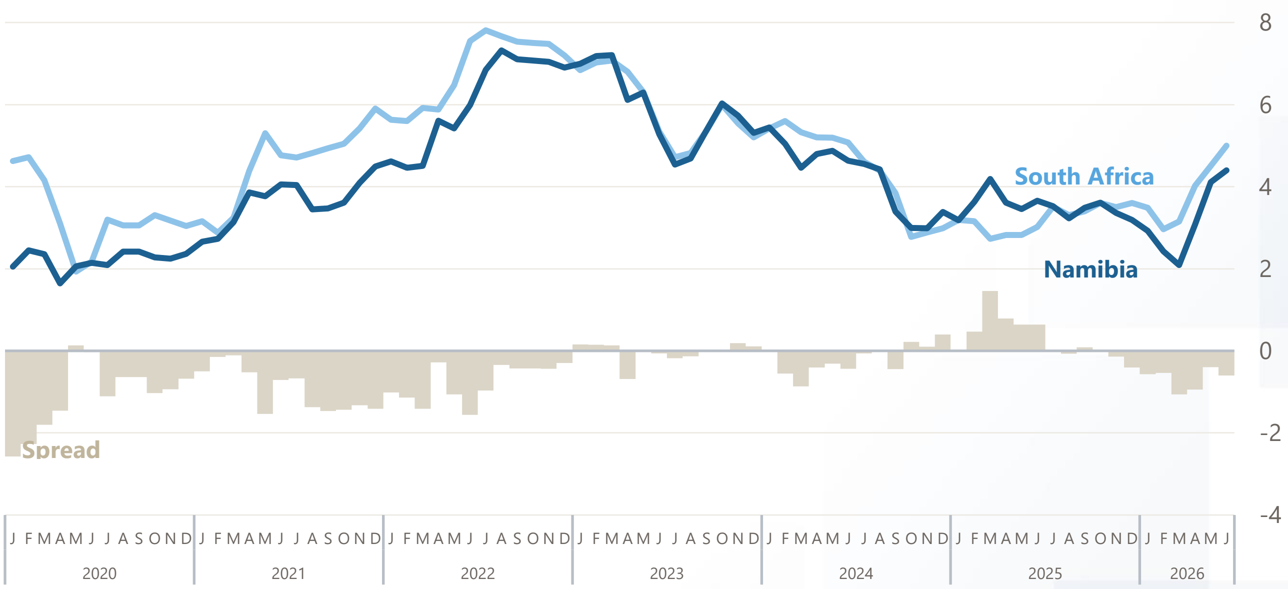
South Africa's inflation extended its climb, rising to 5.0% in June 2026 from 4.5% in May and 4.0% in April. Yet the global policy response has shifted markedly from June's tightening bias, as most major central banks, including the SARB, held policy rates steady this cycle, with only Brazil and Russia moving (and in the opposite direction, cutting rates).

Namibian headline inflation rose to 4.4% in June 2026, from 4.1% in May. The increase since the conflict has been almost entirely contained within fuel prices and the public transportation tariff hike of 15%, as second-round effects have not yet clearly appeared in the data. Monthly food inflation remains normal. That being said, we know this will increase given higher fuel prices in more recent months where inflation data does not yet exist.

The BoN's inflation forecast was unchanged for 2026, at 4.0%, but 2027's has been revised up to 3.9% (+0.3 p.p.)

Limited second-round inflation effects so far

Annual inflation rate, %



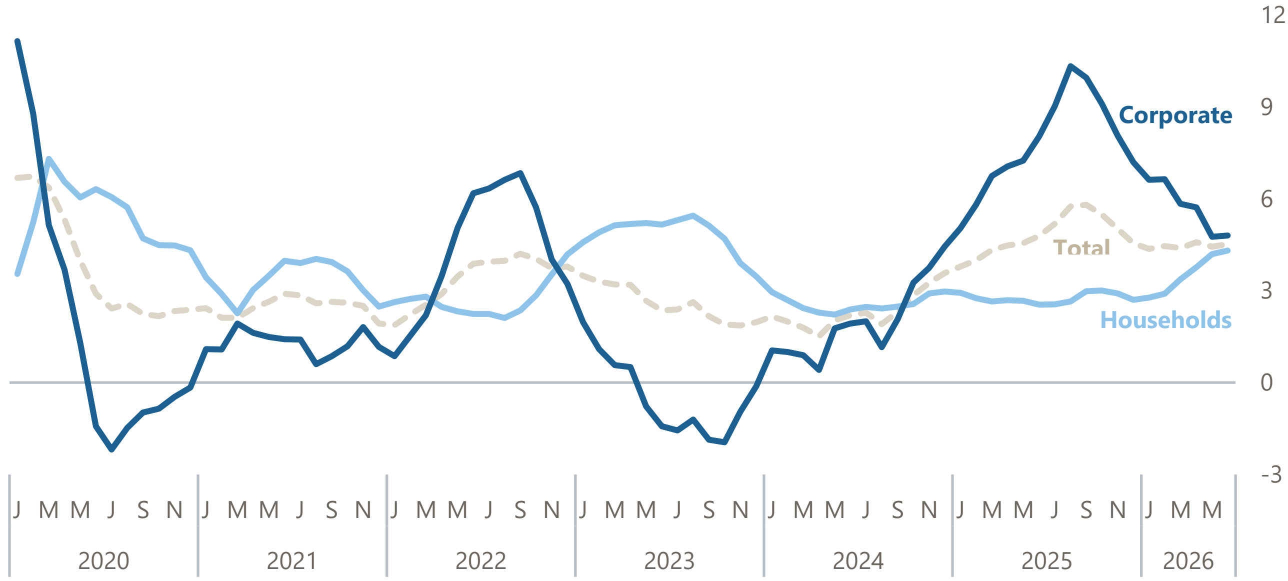
Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities

Private Sector Credit Extension

PSCE growth cooled to 4.5% YoY in June, down 0.3 percentage points from the 4.8% recorded at the time of the June meeting. On a 1H 2026 basis, growth averaged 4.5%, marginally below the 4.6% recorded over the same period in 2025. The deceleration was driven by softer credit uptake among businesses, even as household credit growth continued to strengthen.

Credit growth in households and corporates converging

Private sector credit extension, 3M MA annual growth, %

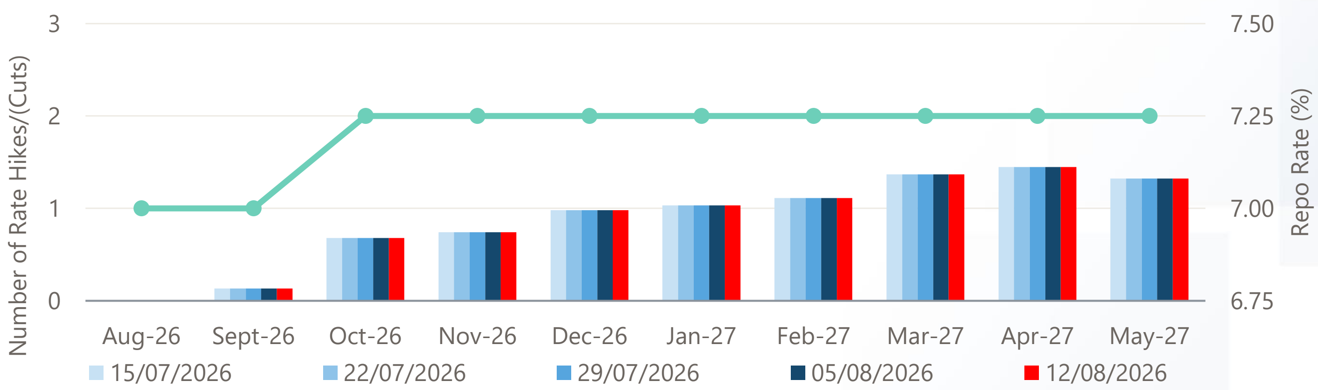


Source: Bank of Namibia, IJG Securities

Interest Rate Expectations

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market is pricing in one 25bp rate hike in South Africa in the Sep 2026 meeting. This is consistent with SARB's repo rate forecast, although this forecast shows a cutting cycle thereafter.

Implied probability of rate hikes/cuts over time (SARB)



**The columns indicate the number of 25bp hikes expected for a given month as at the date indicated in the legend.*

Source: Bloomberg, IJG Securities

Our Take

The MPC's decision to hold the repo rate at 6.75% keeps the interest rate differential to South Africa unchanged at 25bps, after the SARB also held rates unchanged in its last meeting.

The MPC explicitly stated that this decision was unanimous. Note that June's statement surprisingly omitted any mention of a vote or unanimity, an omission we read at the time as a possible sign the committee was not fully aligned. The return to explicit unanimity language this cycle suggests the committee was comfortably around holding steady, notwithstanding the statement's own acknowledgement that a case existed for closing the gap to South Africa.

With most major central banks now holding steady rather than still tightening, the SARB included, the external pressure that pushed the BoN to hike in June has eased. The BoN's own path is still likely to keep track of SARB's movements, with timing dependent on how the Middle East conflict, El Niño and any second-round inflation effects ultimately play out in South Africa.

Given ample reserves, a still-benign (although elevated) domestic inflation trajectory, and global policy responses, we do not expect the BoN to hike at the next meeting either, though a further widening of the gap to South Africa should the SARB resume tightening is the key risk to that view.

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