BoN MPC Meeting
December 2025

Key Focus Points:

- The **MPC voted to leave the repo rate unchanged at 6.50%.**
- The BoN forecasts Namibian inflation to average 3.6% y/y in 2025 and 3.8% y/y in 2026.
- The stock of international stood at N$48.6 billion at 31 October 2025, enough to cover 3.2 months of imports.

Macro Backdrop

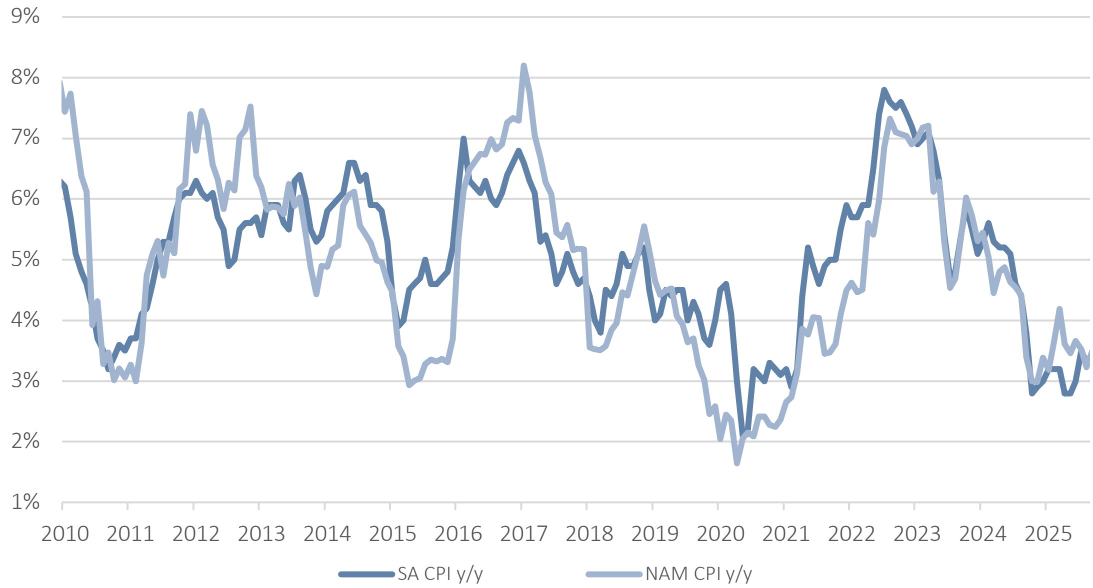
During its final MPC meeting of the year - which also marked Bank of Namibia (BoN) Governor Johannes !Gawaxab's final announcement before transitioning out of his role, the Governor noted that the pace of domestic economic expansion had slowed in the first ten months of 2025 compared to the same period in 2024, although he did not disclose the rate of real GDP growth. The moderation in activity was largely driven by contractions in the manufacturing sector, diamond mining, livestock farming and transport subsectors. The **central bank subsequently revised its 2025 real GDP growth forecast downward**, projecting a deceleration from 3.7% in 2024 **to 3.0% in 2025**. Despite the weaker performance recorded and anticipated for 2025, **growth is expected to rebound to 3.8% in 2026** and further strengthen to 4.3% in 2027. These upward revisions reflect favourable expectations for agriculture, continued momentum in the construction sector, and stronger output from the uranium subsector, which has more than offset lower diamond export earnings given still-elevated global prices.

Private sector credit extended (PSCE) contracted by N$443.5 million (0.4% m/m) in October, bringing the total outstanding credit to N$120.89 billion. On an annual basis, PSCE rose by 4.8% y/y, slower than the 5.9% y/y recorded in September, reflecting weaker credit uptake by both households and businesses. However, year-to-date, annual PSCE growth remains supported by increased borrowing by corporates. On the monetary front, international reserves declined to N$48.6 billion at the end of October from N$54.7 billion in September due to the Eurobond redemption. Despite this drawdown, reserves still provide 3.2 months of import cover, which the BoN considers adequate to support the one-to-one currency peg with the South African Rand.

Inflation

The consumer price index (CPI) accelerated slightly to 3.6% y/y in October, up from 3.5% in September 2025, with overall prices rising by 0.5% m/m. On an annual basis, three of the twelve NCPI basket categories recorded faster increases than in September, while six registered slower inflation and three remained unchanged. Over the first ten months of the year, the annual inflation rate averaged 3.6% y/y, well below the 4.5% y/y average over the same period in 2024. This disinflation trend was mainly driven by softer price growth in housing, transport and alcoholic beverages. Looking ahead, according to IJG's inflation forecast model, inflation is expected to ease to approximately 3.4% by year-end, with CPI expected to range between 2.1% and 4.7% in 2026. Furthermore, the BoN's inflation forecast for 2025 remains unchanged at 3.6%, while the projection for 2026 has been revised down by 0.2 percentage points to 3.8%.

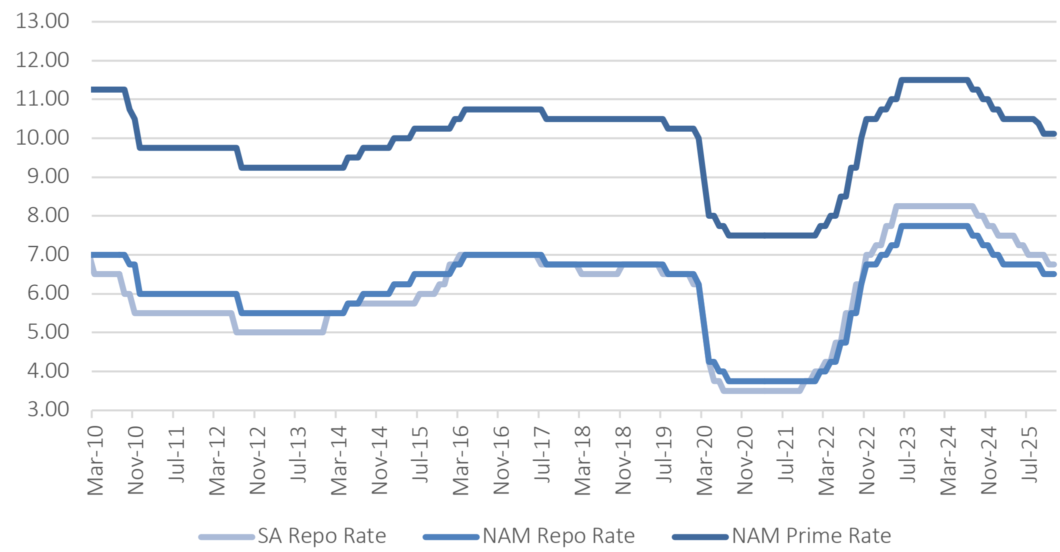
Namibia vs South African CPI (y/y)



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

Interest Rates

Historical Policy Rates (%)



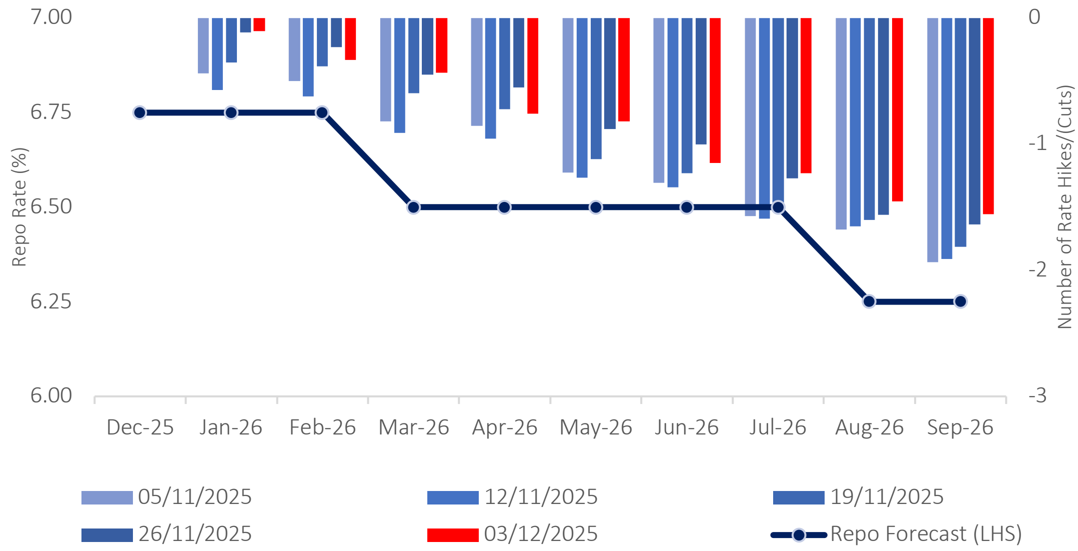
Source: Bank of Namibia, South African Reserve Bank, IJG Securities

Despite the slowdown in economic activity in 2025, the BoN's decision to hold the repo rate at 6.5% was supported by the MPC's view that the broader macroeconomic environment remains favourable, with both current and projected inflation to stay within target and that GDP growth is expected to recover over the medium term. In addition, South Africa's formal adoption of the 3.0% inflation target prompted Namibian authorities to carefully evaluate and manage domestic inflation to safeguard the stability of the currency peg.

Commercial banks are expected to lower their prime lending rates by 12.5bps to 10.0% by year-end, consistent with the central bank's effort to "*normalise*" the prime-repo rate spread. The repo rate differential between Namibia and South Africa currently stands at 25 basis points.

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market is pricing in one 25bp rate cuts in South Africa in March 2026, followed by a further 25bps rate cut towards the middle of the year.

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 (RHS).*
Source: Bloomberg, IJG Securities

Our Take

Returning to its long-standing focus on maintaining alignment with South Africa, the BoN kept the repo rate unchanged at 6.5% at its final MPC meeting of 2025. The MPC noted that while domestic economic growth is slowing in 2025, the overall environment remains favourable, with inflation contained and growth projected to strengthen in 2026 and 2027. Looking ahead, we expect the BoN to closely track the South African Reserve Bank's policy path – particularly following South Africa's formal adoption of the 3.0% inflation target – reinforcing the BoN's commitment to preserving the stability of the currency peg.

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