



Key Focus Points:

- The **MPC voted to leave the repo rate unchanged at 6.50%.**
- The BoN forecasts Namibian inflation to average 3.5% y/y in 2026 and 3.4% y/y in 2027.
- The stock of international stood at N\$51.9bn on 31 January 2026, enough to cover 3.3 months of imports.

Macro Backdrop

During the first MPC meeting of the year, which also marked Ebson Uanguta's first announcement as the newly appointed Governor of the Bank of Namibia (BoN), the monetary policy committee (MPC) noted that domestic economic activity has slowed during the first three quarters of 2025. The moderation in activity was largely driven by contractions in the agriculture, fishing, mining and manufacturing sectors, which was further exacerbated by weak diamond demand. Amid a macroeconomic environment characterised by elevated commodity prices, the merchandise trade deficit narrowed by 35.4% to N\$25.0bn in 2025. The improvement was driven by higher export volumes, particularly uranium and gold – which more than offset a modest rise in import payments.

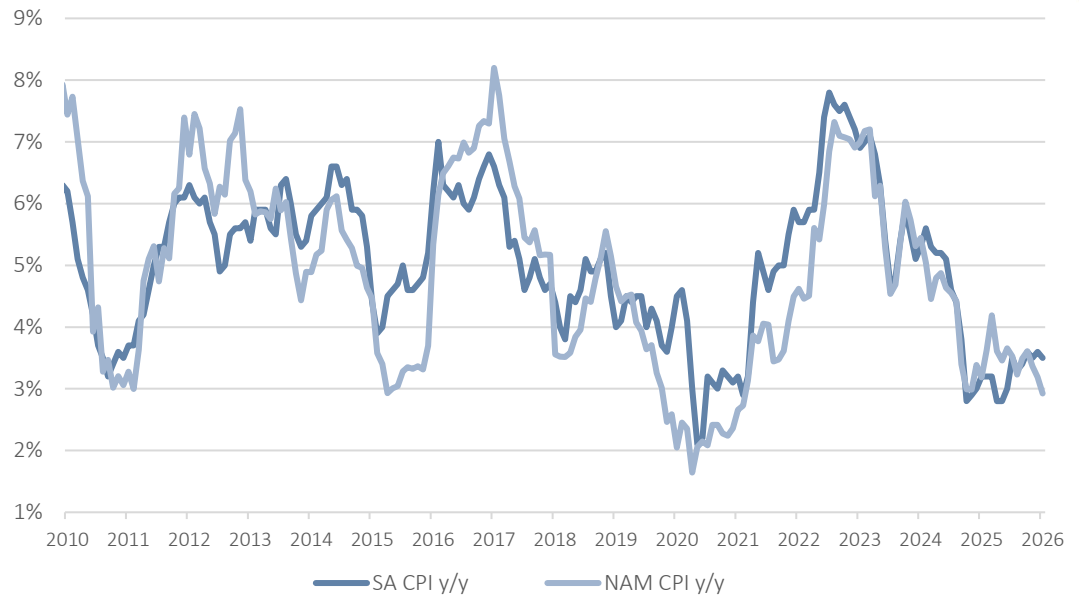
Private sector credit extended (PSCE) rose by N\$808.2m (0.7% m/m) in December, bringing the total outstanding credit to N\$122.32bn. On an annual basis, PSCE rose by 4.4% y/y in December, slower than the 4.5% y/y recorded in November. Prior to this marginal slowdown, PSCE has been on a moderating trend, with annual growth in PSCE slowing down since August 2025. On the monetary front, international reserves recovered from the decline in October 2025, following the redemption of the USD750m Eurobond. Foreign reserve assets rose to N\$51.9bn at the end of January 2026 on the back of SACU receipts. The BoN noted that this level of import cover (3.3 months) is sufficient to support the one-to-one currency peg with the South African Rand.

Inflation

The consumer price index (CPI) moderated to 2.9% y/y in January, down from 3.2% y/y in December 2025, with overall prices rising by 0.8% m/m. On an annual basis, four (4) of the twelve (12) NCPI basket categories recorded faster increases than in January 2026, while eight (8) registered slower inflation. A consecutive and more pronounced moderation in food and non-alcoholic beverage inflation, which carries a basket weight of 16.4%, has supported the slowdown in inflationary pressures. Furthermore, a strengthening of the South African Rand had ripple effects across Namibia, making the cost of imports relatively cheaper which also supported a slowdown in inflation. Inflation over 2025 averaged at 3.5% y/y, which also marks a post-pandemic low. Looking ahead, according to IJG's inflation forecast model, inflation is expected to ease to approximately 2.8% by year-end, with CPI expected to range between 2.0% and 3.7% in 2026. Furthermore, the BoN's inflation forecast for 2026 was revised downward by 0.3 percentage points to 3.5%. The downward revision is attributed to lower projected oil and food prices alongside a stronger currency.

0.0005	4.85%
0.0003	13.04%
0.001	50.00%
0.0003	14.29%
0.0005	12.50%

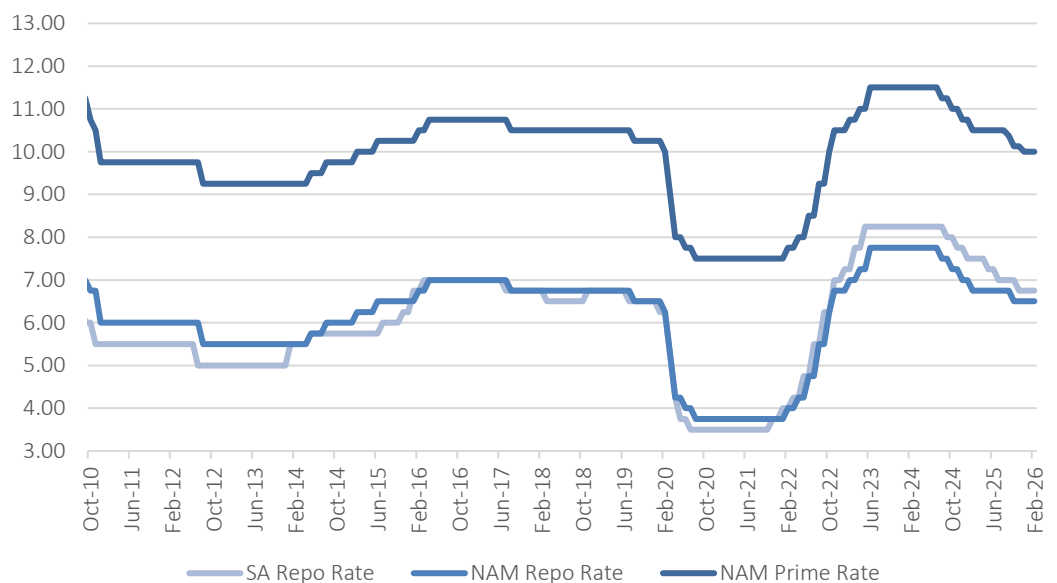
Namibia vs South African CPI (y/y)



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

Interest Rates

Historical Policy Rates (%)



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

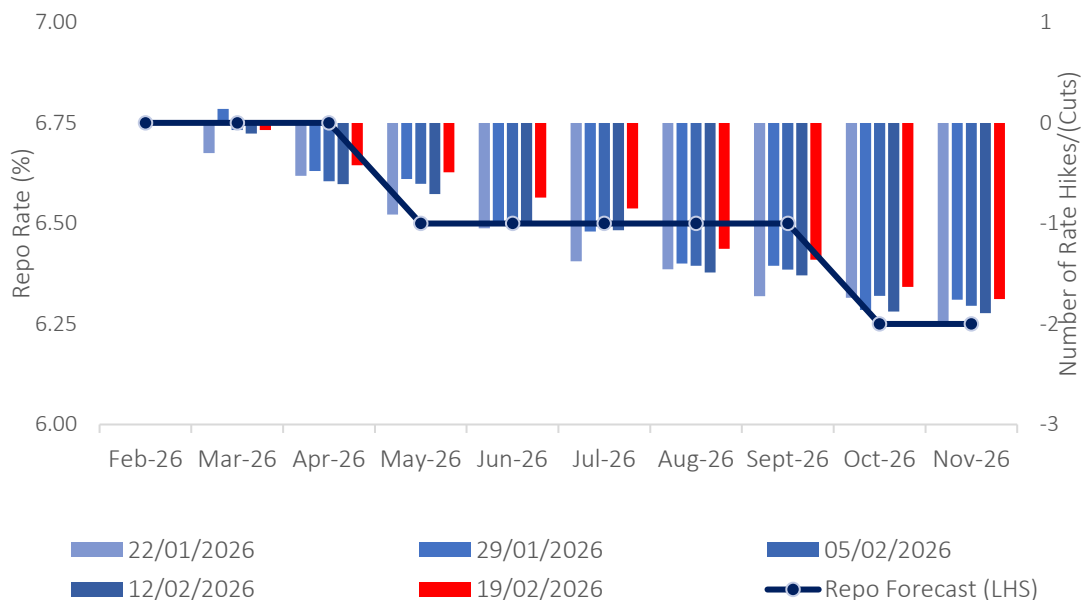
The MPC weighed economic factors such as slower economic activity, relatively low and stable inflation and subdued private sector credit extension against the imperative of maintaining orderly capital flows in the interest of safeguarding the stability of the currency peg. In the end, the MPC decided to keep the repo rate unchanged at 6.5% and commercial banks are expected to keep their prime lending rates at 10.0%. Furthermore, following prior rate cuts, as well as the reduction in the prime-repo differential achieved since December 2025, the MPC deems this sufficient in providing support to the domestic economy.

The repo rate differential between Namibia and South Africa still stands at 25 basis points (bps). In South Africa, the formal adoption of the 3% inflation target at the Medium-Term Budget Policy Statement created scope for the South African Reserve Bank (SARB) to reduce the policy rate by 25bps and shift to a slightly less restrictive stance at its November MPC meeting.

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

As widely expected, the BoN left the repo rate unchanged at 6.5%, with the prime lending rate remaining at 10.0%. Preserving the one-to-one currency peg with the South African rand continues to be the MPC's primary objective. The 18th of February marked Governor Ebuson Uaguta's first MPC announcement since his appointment. Governor Uaguta brings nearly 30 years of experience in economic policy formulation, macroeconomic research and senior leadership in central banking; and we view his appointment as highly positive. Looking ahead, we expect the BoN to broadly follow the SARB's policy path. However, we would not be surprised if the BoN forgoes one anticipated rate cut to further narrow the repo rate differential between Namibia and South Africa.

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