

BoN MPC Meeting

June 2026



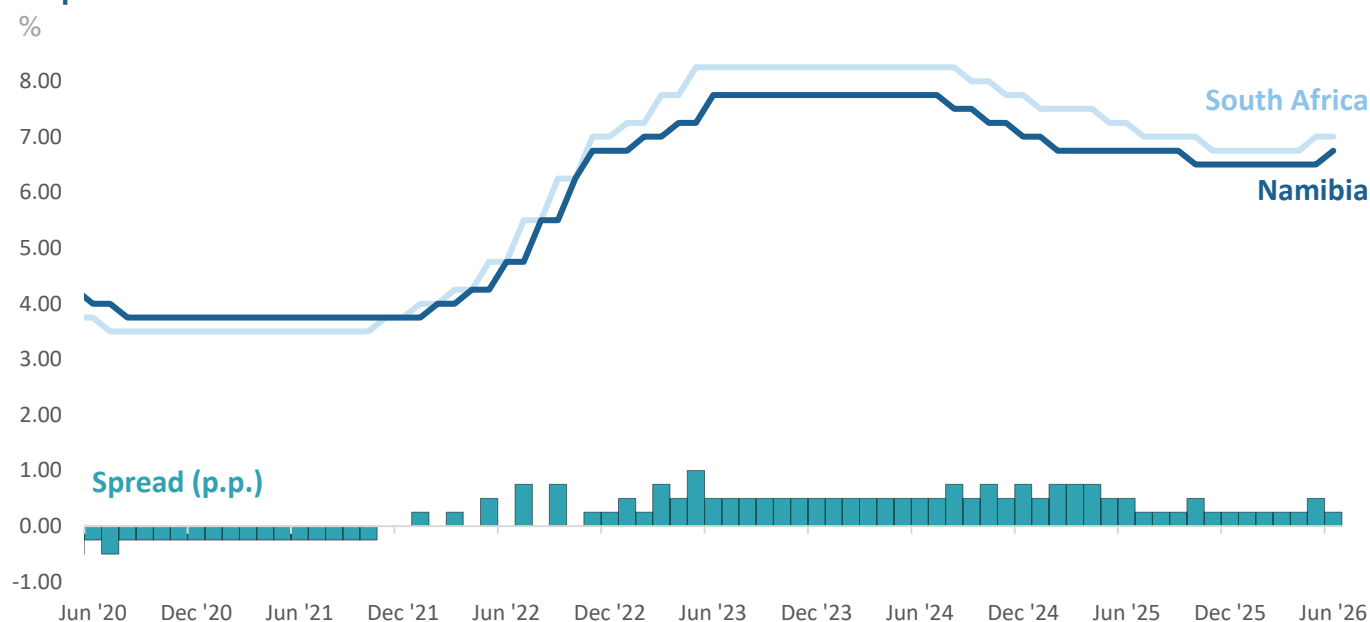
0.0005	4.85%
0.1003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Key Focus Points:

- **The MPC voted to raise the repo rate by 25bps to 6.75%.**
- The statement did not mention whether the decision was unanimous or split.
- The BoN forecasts inflation to average 4.0% in 2026 (+0.3 p.p.) and 3.6% in 2027 (+0.2 p.p.).
- The international reserves stock stood at N\$55.4bn at the end of May 2026 (end-March: N\$51.8bn), translating to an import cover of 3.5 months.

The decision brings the interest rate differential to South Africa back to 25bps following a concurrent SARB hike, with both central banks citing the need to contain second-round inflationary effects, even though such effects are not yet clear in the data.

Repo Rate



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

Macro Backdrop

Global growth trends were mixed heading into the second quarter of 2026. While the US, China, India and South Africa each reported relatively firm first-quarter outturns, most other monitored economies remained subdued. The forward picture is a more sobering one, however, with the IMF projecting global growth to decelerate from an estimated 3.4% in 2025 to 3.1% in 2026, while the OECD's more recent assessment was gloomier still, placing 2026 growth at just 2.8%. Geopolitical tensions, energy price pressures, and growing fiscal vulnerabilities are among the primary downside risks.

Commodity price developments were mixed among Namibia's key export sectors. Gold trended lower on a stronger US dollar, profit-taking, and the prospect of higher interest rates. Uranium spot prices declined marginally since the April MPC meeting but remain firm on sustained demand, with the BoN expecting the sector to be a meaningful contributor to Namibia's growth over the short to medium term horizon. Rough diamond prices remain structurally subdued (although diamond price indicators do suggest that a possible floor price has





been reached). Brent crude fell to a low of just under USD80/bbl following the announcement of a US-Iran interim peace agreement and the reopening of the Strait of Hormuz, though the resumption of production and logistics flows will take time to materialise. Global equity markets trended broadly higher on strong corporate earnings and easing geopolitical risk, while bond yields, though still elevated, pulled back somewhat as the risk premium unwound.

Domestic economic activity moderated over the first four months of 2026 relative to the same period in 2025, with weakness broad-based across mining, manufacturing, tourism, electricity generation, construction, and communications. The notable exception was agriculture, which rose sharply on strong crop production. Looking ahead, growth is projected to recover from 1.7% in 2025 to 2.6% in 2026, driven primarily by uranium mining, wholesale and retail trade, financial services, and public administration and defence. The recovery is relatively narrow in its sectoral base. Water supply constraints for uranium mining and the risk of an El Niño event represent downside risks to that projection.

Namibia's trade balance continued to deteriorate over the period. The merchandise trade deficit widened to N\$11.7bn during the first four months of 2026, up from N\$11.3bn over the same period in 2025, despite faster growth in export receipts. The deterioration was driven by higher import payments across machinery, mineral fuels, vehicles and electricity (categories related to the energy price shock and ongoing capital expenditure). The external position is expected to remain under pressure near-term as import prices continue to rise. International reserves provided reassurance nonetheless, as the stock rose from N\$51.8bn at end-March to N\$55.4bn at end-May, supported by SACU receipts, customer foreign currency placements, and monetary gold acquisitions, translating to 3.5 months of import cover, sufficient to support the currency peg and meet the country's external obligations.

Inflation

Inflation has risen across most monitored economies since the previous MPC meeting, driven by the energy price shock from the Middle East conflict and associated supply chain disruptions. The IMF now projects global inflation to climb from 4.1% in 2025 to 4.4% in 2026 before easing back to 3.7% in 2027.

South Africa's inflation jumped notably from 3.1% in March to 4.0% in April 2026, with May's figure - released on the day of the BoN's statement - posting a 4.5% rate. The global policy response has shifted decisively toward tightening, with the SARB, ECB, and Bank of Japan all hiking at their most recent meetings.

On oil specifically, Brent has pulled back to under USD80/bbl following a US-Iran interim peace deal that is reopening the Strait of Hormuz. However, BoN cautions that near-term prices could stay above pre-war levels since the resumption of energy production and logistics will take time, meaning the inflationary impulse from energy will not immediately dissipate.

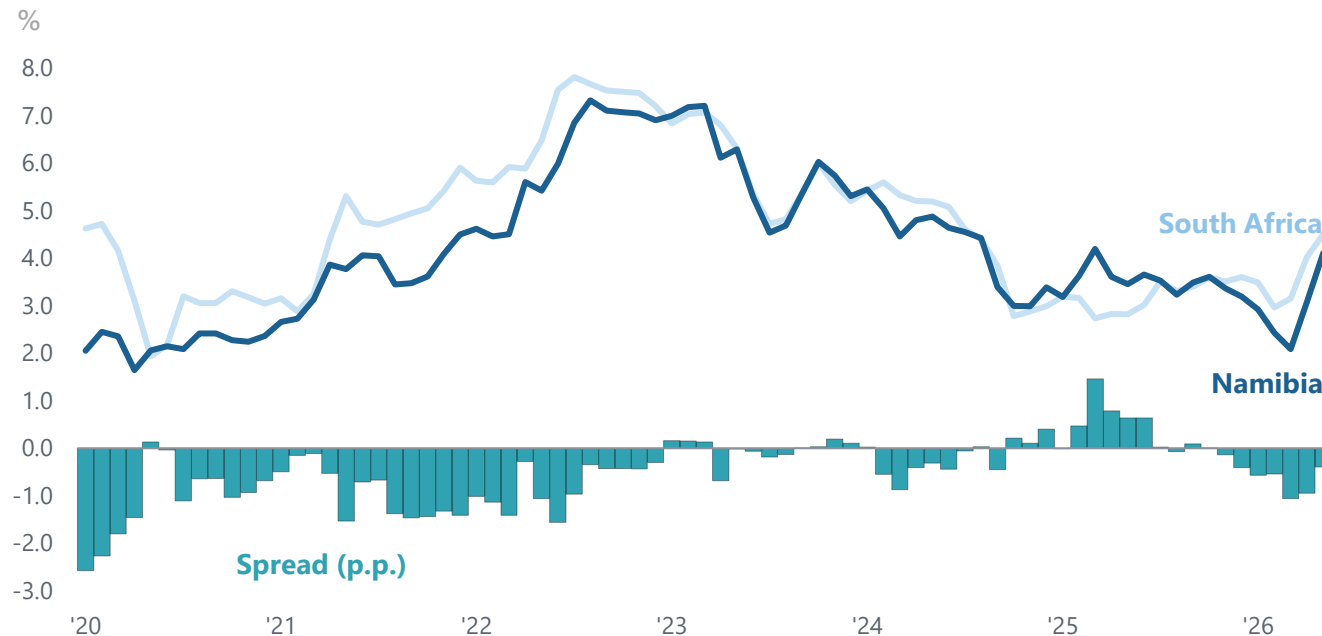
Namibian headline inflation accelerated sharply, from 2.1% in March, 3.1% in April, and 4.1% in May. This has been almost entirely driven by the direct impact of higher fuel prices, which subsequently prompted an increase in public transport tariffs for the first time in four years. Namibian petrol prices currently stand 20% higher compared to its pre-conflict level, while diesel prices stand 44% higher than before. Meanwhile, public transport inflation jumped to 11.5% YoY, after comfortably trending below the 2% mark for several years. Second-round effects in goods and other services have been limited thus far, with no material increases observed elsewhere in the inflation basket.

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The BoN revised its inflation outlook upward relative to the previous MPC meeting:

- 2026: Now forecast at 4.0% (+0.3 p.p.)
- 2027: Now forecast at 3.6% (+0.2 p.p.)

Annual Inflation Rate



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

Private Sector Credit Extension

Private sector credit extension (PSCE) ticked up to 4.8% YoY in April, just 0.1 p.p. above where it stood at the previous MPC meeting. On a YTD basis, growth averaged 4.5% compared to 4.4% over the same period in 2025. The slight uptick was driven by households taking up more credit, while credit to businesses moderated.

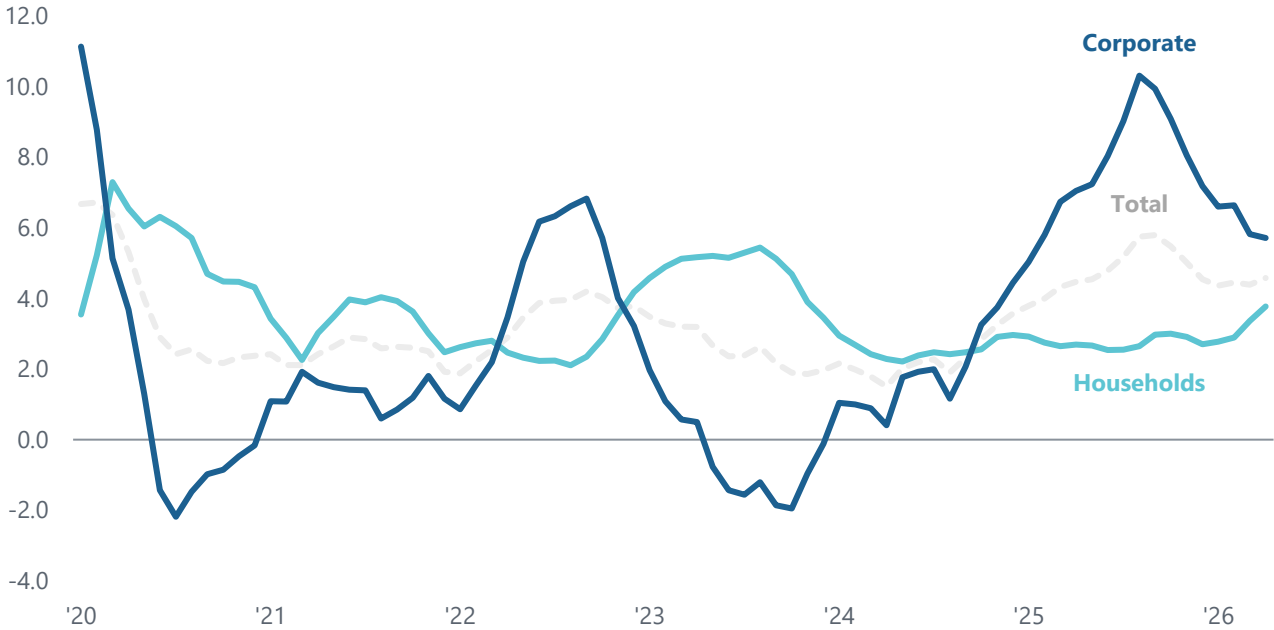
The more telling story lies in the composition. Among households, mortgage loans, overdrafts, instalment and leasing, and other loans and advances have contributed more equally to total credit growth relative to a year ago – a broadening of demand across categories. Among businesses, however, the picture is more concentrated, as two-thirds of annual credit growth has been driven by instalment and leasing, while mortgage loans and other loans and advances have made negative contributions over the same period. Businesses are financing equipment and vehicles but seemingly not committing to long-term investment, with momentum on a net basis clearly on a downtrend.

Since end-February 2026 (marking the onset of the Middle East conflict), household overdrafts increased by 4.0%, instalment and leasing by 3.6%, and mortgage loans by 1.6%. Other loans and advances declined by 0.3%. The rather sharp increase in overdrafts may signal cost-of-living pressure amidst the rapid increase in fuel prices. On the corporate side, instalment and leasing grew by 2.8%, but mortgage loans declined by 4.8%, with new originations dropping below the natural amortisation rate.

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Private Sector Credit Extension

3-Month Moving Average, Annual Growth (%)

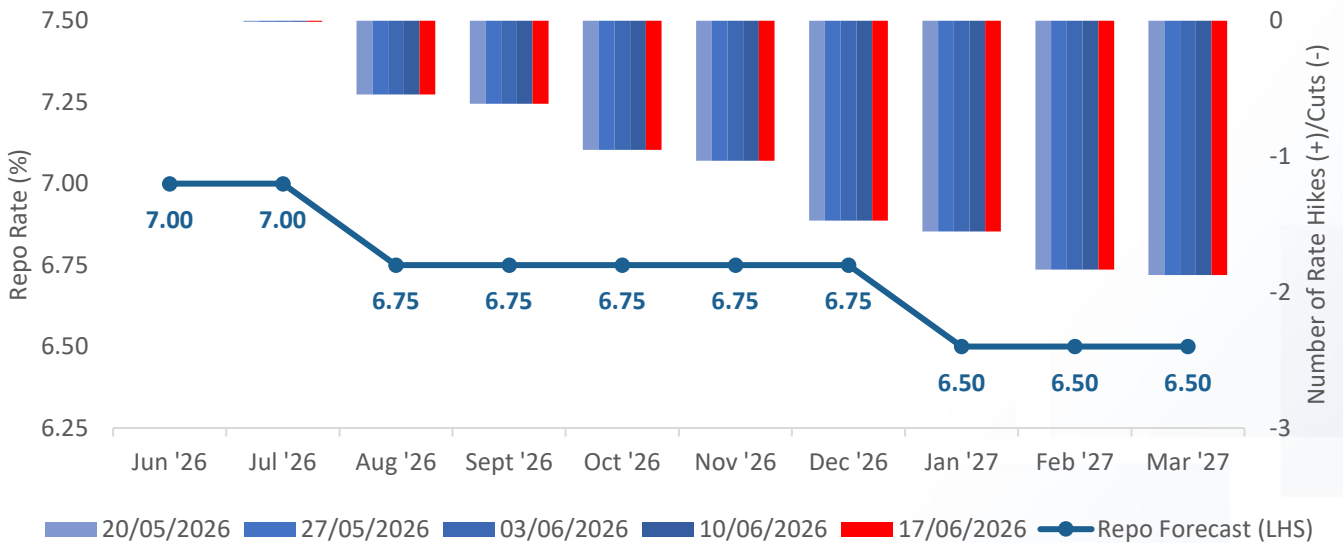


Source: Bank of Namibia, IJG Securities

Interest Rate Expectations

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market is pricing in one 25bp rate cut in South Africa in July 2026, followed by a further 25bps rate cut towards the beginning of 2027.

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





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Our Take

The MPC's decision to raise the repo rate by 25bps to 6.75% brings the interest rate differential to South Africa back to 25bps. The decision was effectively constrained by the combination of the SARB's concurrent tightening and the imperative to maintain the currency peg and capital flow stability.

South African inflation jumped from the SARB's ideal 3.0% mark in February to 4.1% in April (and 4.5% in May's print released on the day of BoN's statement) – placing it outside the SARB's ± 1 p.p. tolerance band. However, as the SARB has previously made clear:

"The tolerance band, of 1 percentage point either side of 3%, does not mean we will be indifferent to inflation anywhere between 2% and 4%. We want to be at 3%... we will always be setting policy so that inflation is going back to 3%." – November 2025 MPC Statement

Although the inflation shock imported via the energy price channel is cost-push in nature, both central banks are wary of second-round effects, prompting some degree of inflation expectations management.

Notably, the statement did not classify the decision as unanimous, nor mentioned the vote split as it has done in previous MPC statements. The omission possibly suggests that the committee was not fully aligned. For comparison, in SARB's latest meeting, four members had preferred the hike while two favoured no change.

So far, the SARB has noted no clear second-round effects in the data, and its Quarterly Projection Model does not imply sustained rate hikes. The market is pricing cuts rather than further hikes, suggesting that the prevailing view is that the tightening is transient. BoN decisions are therefore likely to track SARB's movements closely with the forward path dependent on what ultimately transpires from the Middle East conflict, El Niño developments, and any non-linear inflationary effects.

Given adequate reserves, the absence of clear second-round effects domestically, and a market that is already pricing out further tightening, we do not expect the BoN to raise rates again in the near term.

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