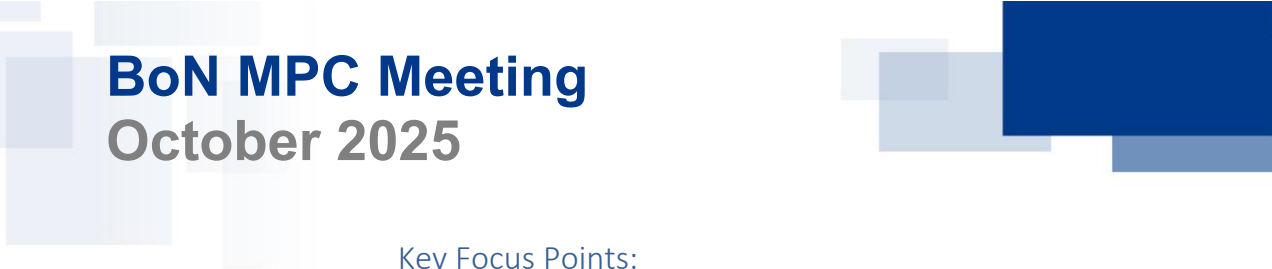


BoN MPC Meeting October 2025



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 lower the repo rate by 25bps to 6.50%.
- The BoN forecasts Namibian inflation to average 3.6% y/y in 2025.
- The stock of international stood at N\$54.7 billion at 30 September 2025, enough to cover 3.6 months of imports.
- The MPC expects commercial banks to reduce their prime lending rates by the same margin to 10.125%.

Macro Backdrop

During its fifth MPC meeting of the year, Bank of Namibia (BoN) Governor Johannes !Gawaxab noted that domestic economic activity has weakened, with real GDP growth surprising to the downside. **Real GDP growth slowed to a post-pandemic low of 1.6% y/y** in the second quarter of 2025, compared to 3.3% y/y recorded in the same period of 2024. The sectors primarily attributable to the drag in growth were manufacturing, fishing and the agricultural sectors. In addition, high-frequency indicators suggest that the pace of economic expansion over the first eight months of 2025 has moderated relative to the corresponding period in 2024. Consequently, the central bank revised its 2025 real GDP growth forecast downward, projecting a slowdown from 3.7% in 2024, though it did not disclose the new projection.

PSCE growth continued its upward recovery trajectory, reaching a post-pandemic high of 6.0% y/y in August 2025 – the fastest pace of growth since January 2020. Year-to-date, PSCE growth averaged 5.1% y/y, marking a notable acceleration from the 2.0% y/y recorded in 2024. The rebound in credit demand was primarily driven by the corporate sector, while household credit growth remained more subdued, albeit positive. On the monetary front, international declined to N\$54.7 billion at the end of September 2025, down from N\$58.1 billion in July. The decrease was largely attributed to elevated imports, foreign payments by the Government and a stronger exchange rate. Despite the drawdown, the current reserve level provides import cover of 3.6 months, which remains adequate to sustain the one-to-one currency peg with the South African Rand and to meet Namibia's external financial obligations.

Furthermore, Governor Johannes !Gawaxab provided insights on Bank of Namibia's gold accumulation strategy, citing that gold will be sourced from local mines and stored under domestic custody. The quality of gold will adhere to London Bullion Market Association standards, requiring a minimum purity of 99.9%. The gold acquisition strategy will form an integral part of the Bank's foreign exchange reserves.

Inflation

The **Namibian annual inflation rate accelerated to 3.5% y/y in September**, up from 3.2% y/y in August. Over the past nine months, annual inflation averaged 3.6% y/y – notably lower than the 4.6% y/y average recorded over the same period last year. The central bank has revised its inflation forecasts downward, projecting 3.6% y/y for 2025 (0.2 percentage points lower) and 4.0% y/y for 2026 (down by 0.2 percentage points). This is in line with IJG's inflation model, where annual inflation is expected to ease to approximately 3.1% y/y by year-end, with CPI expected to range between 2.1% and 4.4% in 2026.

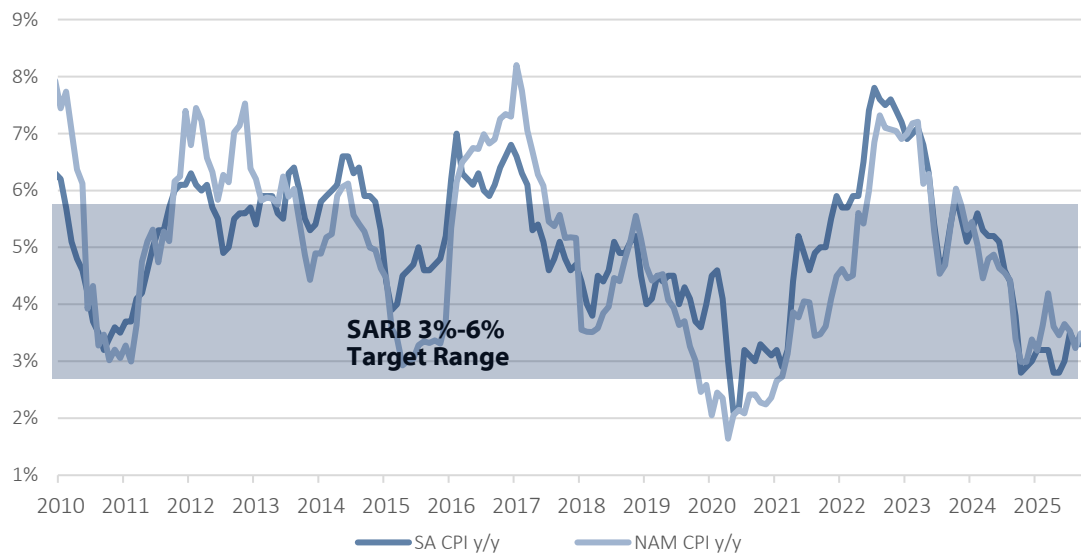
As of end-August, the inflation differential between Namibia and South Africa stood at -0.1 percentage point, with South Africa's inflation rate at 3.3% y/y – within the South Africa Bank's (SARB) official target band of 3 - 6%, albeit trending at the lower end of the range.



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

At the July 2025 MPC meeting, the SARB clearly stated that they now prefer a 3% inflation target and are no longer targeting the 4.5% mid-point of the range. It is not clear which path the committee will adopt in moving their target, as the target has not *officially* been changed by the National Treasury. A joint panel, known as the Macroeconomic Standing Committee, has been conducting technical work to assess the appropriateness of the target before drafting recommendations on its findings, the Treasury and the bank said in a statement. Subject to agreement between the two authorities, Finance Minister Enoch Godongwana will make an announcement about any changes “as soon as is practical,” they said. Although the Bank took a huge risk in announcing a new inflation target without the approval of the Minister, it seems that they are in agreement that low inflation is good.

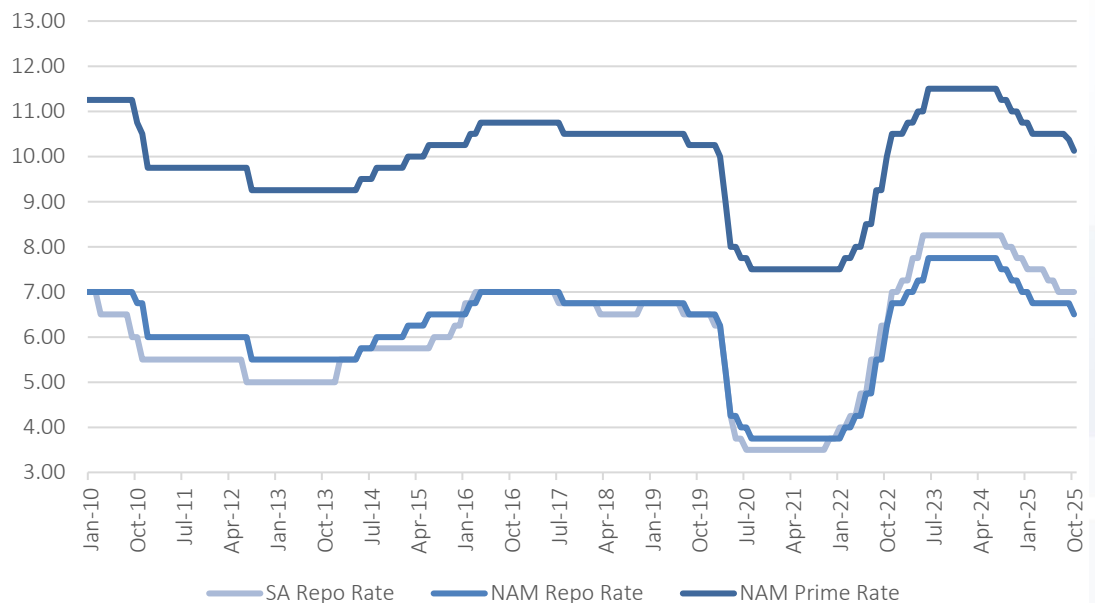
Namibia vs South African CPI (y/y)



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

Interest Rates

Historical Policy Rates (%)



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

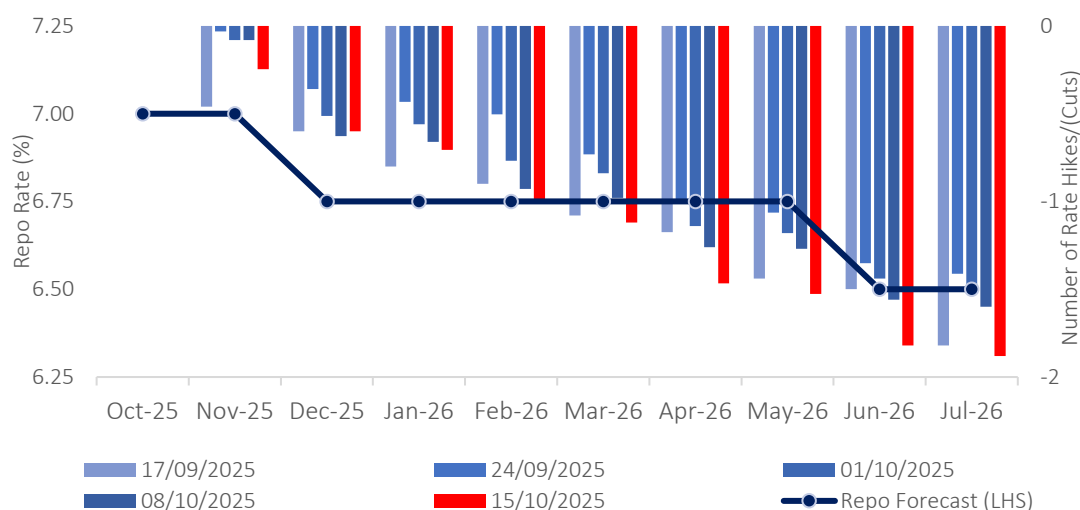
0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

The BoN's decision to lower the repo rate by 25bps to 6.5% was guided by the MPC's assessment of weaker domestic economic activity, contained inflationary pressures and a favourable medium-term inflation outlook. While the interest rate differential between Namibia and South Africa has widened to 50bps again, the committee noted that year-to-date capital flows remain orderly, and the differential is still within levels that do not pose risks to capital stability. The BoN, in collaboration with the Ministry of Finance, reaffirmed that foreign reserve adequacy will not be compromised by the forthcoming Eurobond redemption on 29 October 2025, citing comprehensive preparatory measures and the mobilisation of N\$13.5 billion in advance of the repayment. Moreover, the committee highlighted that the relatively high real repo rate and adequate foreign reserves provide sufficient scope to support a reduction in the nominal policy rate.

Commercial banks are expected to reduce their prime lending rates by 25bps to 10.125%, in line with the central bank's policy rate adjustment. The interest rate differential between Namibia and South Africa currently stands at 50 basis points.

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 December, followed by a further 25bps rate reduction in May 2026.

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

The 25bps rate cut was somewhat surprising, given that the BoN had already instructed commercial banks to lower the prime lending rate by 12.5bps at the end of September, with a further 12.5bps reduction planned for December. It appears that the MPC's earlier intention to narrow the rate differential between South Africa and Namibia, outlined in its statements at the end of 2024 and early this year, has been set aside in favour of supporting domestic economic growth, which has been slowing amid contained inflation and adequate foreign reserves.

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