

# Monetary Policy Statement

ECONOMICS | NAMIBIA

The MPC holds, in line with expectations, but we still expect another hike.

- The Bank of Namibia's (BoN) Monetary Policy Committee (MPC) maintained the repo rate at 6.75%, in line with our expectations.
- The inflation outlook remains uncertain due to elevated external risks, particularly the effects of the war in the Middle East. The BoN maintained its CPI forecast at 4% for 2026 but raised it from 3.6% to 3.9% for 2027.
- The growth outlook has weakened due to slower aggregate output in H1 2026, while domestic demand has remained subdued. Global activity continues to face downside risks due to the prolonged Middle East war.
- The BoN has revised its 2026 real GDP growth forecast to 2.1% from 2.6%.
- We still forecast another 25 basis points hike in the current hiking cycle, with the MPC taking the repo rate to 7% in October, in line with an expected similar move by the South African Reserve Bank (SARB) in September. We still project the cutting cycle to start in the third quarter of 2027.

**August 2026**

**No change**

Repo rate (%)

**6.75%**

Prime rate (%)

**10.25%**

*"In determining the appropriate monetary policy stance, the MPC considered the need to close the interest rate gap between Namibia and the anchor country to stem capital outflows, alongside elevated inflationary pressures. However, the Committee opted to keep the Repo rate steady, reflecting a balanced assessment of the subdued economic activity, a relatively benign inflation outlook and sufficient foreign exchange reserves."*

*Bank of Namibia Monetary Policy Statement, 12 August 2026*

## The inflation outlook:

The BoN has **maintained its 2026 CPI forecast at 4% but revised the 2027 figure from 3.6% to 3.9%**. The balance of risks is still tilted to the upside. The effects of the Middle East conflict, which could be protracted, remain the primary upside risk to inflation. Fuel prices could increase further as Brent crude hovers around \$90 per barrel, while expected drier conditions later this year would add to the CPI upturn. The exchange rate has been resilient, but renewed currency pressure would intensify the uptick in inflation.

The BoN's headline CPI forecasts are marginally below our projections of **4.3% in 2026** and **4.1% in 2027**.

**Chart 1: Bank of Namibia's inflation forecasts**

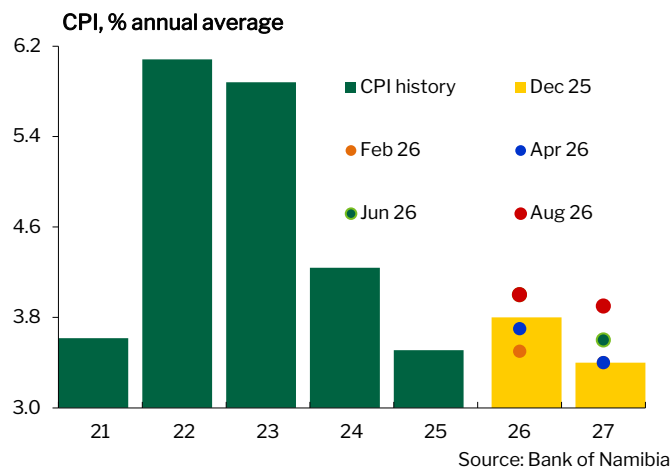
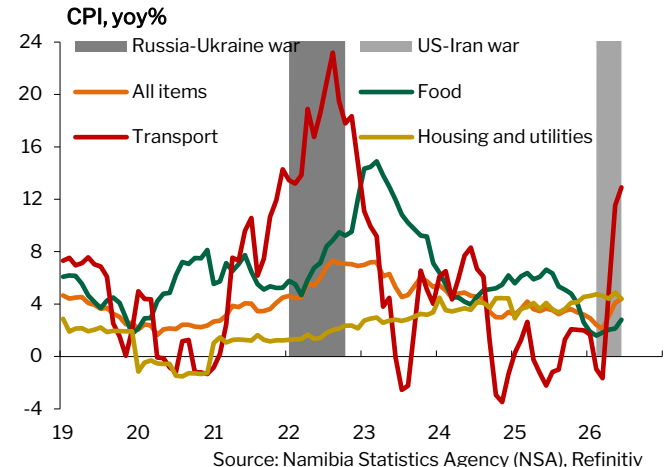


**Chart 2: The fuel price effect is likely to spread widely**





## The growth outlook

Economic activity slowed in the first half of 2026, with higher output in agriculture and wholesale and retail trade more than offsetting declines in mining, manufacturing, electricity generation, and transport. The outlook has weakened since the June MPC meeting, with the major headwinds fanned by heightened external pressures. Supply chain disruptions and the energy price shock could worsen if the US–Iran war reignites, with the negative effects on the global economy likely to be wider-ranging. This scenario would dampen global demand and hurt the prices of Namibia's key exports.

Domestically, agricultural output faces downside risks from the persistence of foot-and-mouth disease in the region and the predicted drier conditions later this year. Demand indicators show that demand-pull pressures have remained contained. Private sector credit extension (PSCE) growth has remained below 5%, indicating moderate risks from credit-driven demand. The weaker growth trajectory in H1 2026 and the uncertain global outlook prompted the BoN to lower its real GDP growth projection for 2026 from 2.6%, as estimated in March, to 2.1%. Therefore, the BoN has revised its 2026 forecast to below the International Monetary Fund (IMF) projection of 2.4%.

**Chart 3: Bank of Namibia's real GDP growth forecasts**

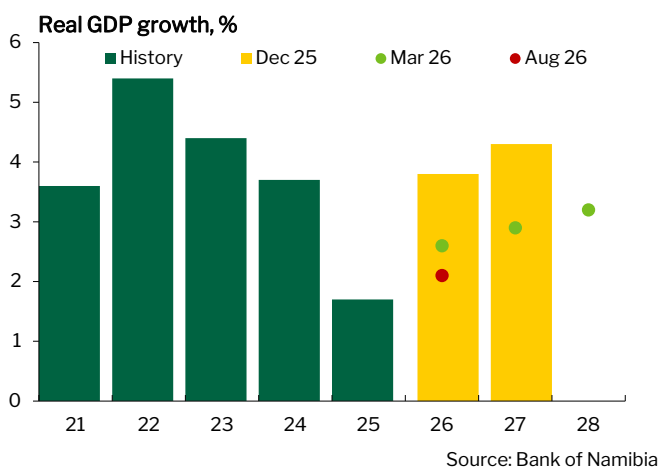
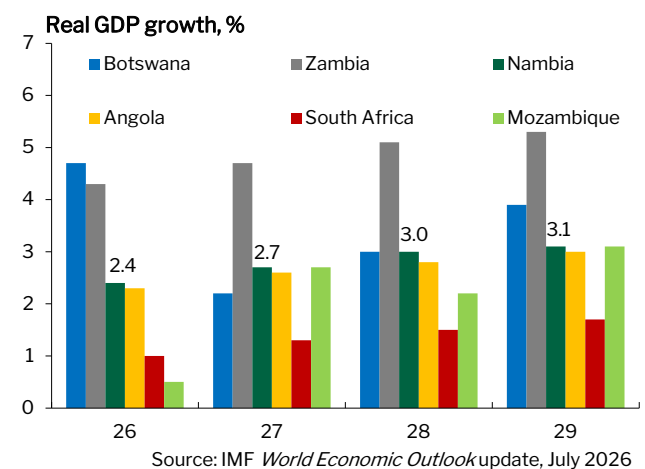


**Chart 4: IMF expects a steady uptick in GDP growth**



## A closer look at PSCE trends: moderate credit-driven demand poses limited demand-pull pressure

**Total private sector credit extension (PSCE)** has remained moderate, with the growth rate rising marginally to 4.5% yoy in June (Table 1). Over the first half of this year, the average monthly growth rate was marginally lower at 4.5% from 4.6% in 2025. Slower corporate credit, which dipped to an average of 5.3% from 7.4%, more than offset household credit, which firmed from 2.6% to 3.8%.

**Chart 5: Slower PSCE growth on softer corporate growth**

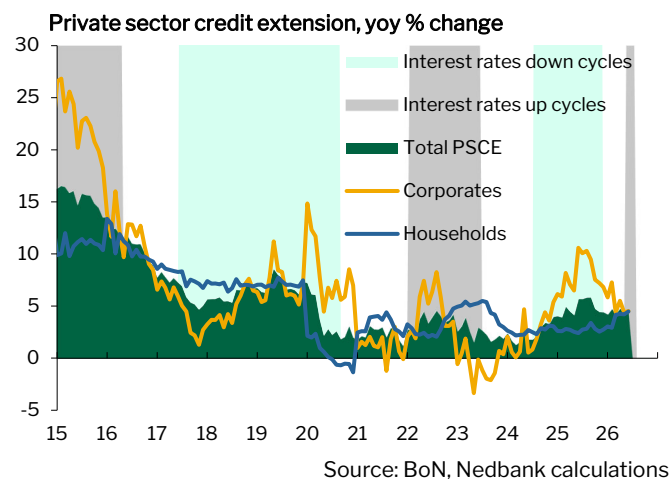
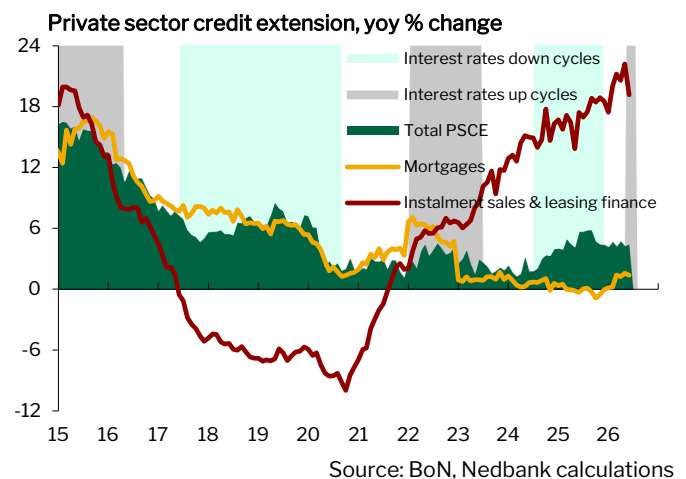


**Chart 6: Instalment sales have been the primary boost**





Growth in **mortgages**, which account for 48% of total credit, moderated from 1.6% in May to 1.4%, a possible early sign of pressure on disposable incomes as higher inflation disrupts the nascent upturn in demand for building finance, particularly from households. Mortgages were flat in H1 2025, with the monthly rate averaging a meagre 0.04%, before picking up to a still-subdued 1% in H1 2026. **Instalment sales and leasing finance** (14.6% of total credit) remained robust, with the annual rate of expansion moderating from 22.2% to 19.2%. Growth has been in double digits since July 2023, as this credit category rebounded from the sharp downturn between Q3 2017 and Q3 2021. The monthly average growth rate rose from 16.2% in H1 2025 to 20.1% in H1 2026.

**Household credit** growth picked up marginally to 4.5% yoy in June, maintaining a rate above 4% for the fourth consecutive month, a trend not recorded since November 2023. Although the overall trend is encouraging, consumer credit has been driven primarily by **instalment sales and leasing finance**, which have been recovering from the long downturn between Q3 2017 and Q4 2021. **Mortgage** growth, the largest category of household credit, has remained lacklustre. Consequently, **loans and advances**, which measure total household credit minus instalment and leasing finance, were up by only 3.1% in June and by a monthly average of 2.4% in H1 2026 from 1.2% in H1 2025.

**Chart 7: Instalment finance lifted household credit**

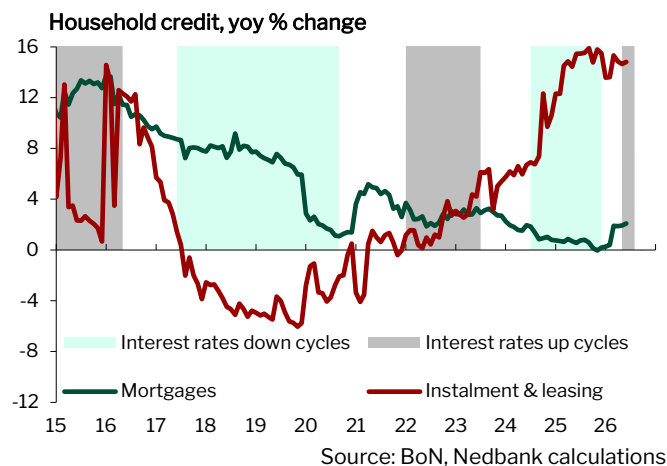
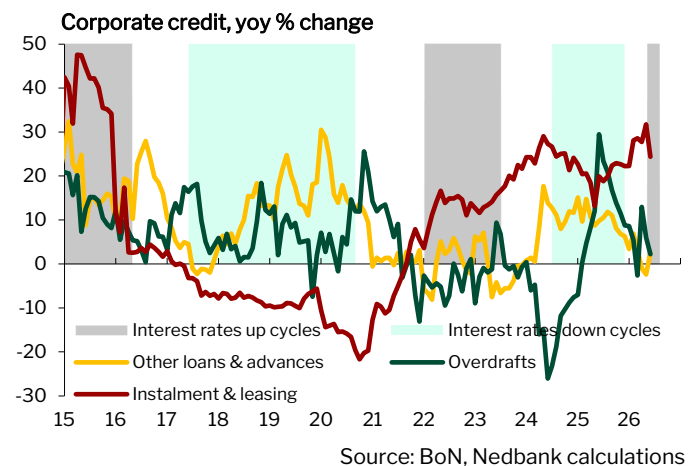


**Chart 8: Firms' asset-based finance demand is still robust**



**Corporate credit** growth has been similarly narrow-based. However, the recent trend in corporate credit is encouraging. Growth in **other loans and advances**, primarily utilised for financing business operations, has slowed considerably since Q2 2025. This could point to the higher corporate profitability, particularly in the mining sector, moderating companies' short-term credit requirements. Against this backdrop, the robust growth in **instalment sales and leasing finance**, which averaged 27.1% in H1 2026, up from 19.2% in the same period in 2025, suggests that firms' demand for asset-based finance increased further from an already strong level as corporates expanded their production capacity. This trend in corporate credit, if sustained, will underlie an uptick in domestic output and real GDP growth.

**Outlook for credit growth:** Overall, the weak underlying momentum in credit demand affirms the limited pricing power of businesses and points to still-moderate 'demand-pull' inflation. Credit growth will ease further in the coming months, reflecting the impact of higher transport costs on households' living expenses and business operational costs. Higher interest rates, albeit moderate, will also dampen credit demand somewhat. **Nedbank forecasts total credit growth to soften from 4.4% in 2025 to around 4% in 2026.**

#### Other key factors that influenced the interest rate decision:

- The higher fuel import bill has contributed to the wider trade deficit, which rose from N\$12.8 billion in H1 2025 to N\$19.3 billion in H1 2026. The BoN flagged that higher import costs and lower prices of the country's key commodities, particularly diamonds and gold, will widen the trade shortfall. Therefore, net trade will likely contribute negatively to GDP in 2026.
- Southern African Customs Union receipts and private foreign currency inflows lifted official foreign exchange reserves from N\$55.4 billion in May to N\$57.1 billion in July. Import cover is around 3.5 months, a level that is sufficient to maintain the one-to-one peg of the NAD to the ZAR.



- Global economic activity has proven resilient amid oil price and supply chain shocks related to the war in the Middle East. Risks to global growth remain firmly on the downside, with trade facing elevated pressures from supply chain disruptions, commodity price volatility and limited policy buffers.

## Outlook and implications

The BoN's cautious approach is understandable given the highly uncertain global economic outlook. Inflation pressures are elevated due to the global oil price shock, while growth prospects are dimmer as geopolitical tensions continue to disrupt supply chains. The MPC continued to stress the need to close the gap between the Namibian and South African repo rates. Therefore, we still expect the BoN to align with the SARB's decisions to keep the monetary policy rate spread at 25 bps, with the gap eliminated only during the next cutting cycle. Consequently, **we expect the BoN MPC to hike by another 25 bps to 7% in October**, with the repo rate flat for the remainder of 2026 before an easing cycle that takes it back to **6.75% and 5.75% at the end of 2027 and 2028, respectively**.

**Table 1: Components of private sector credit extension**

|         | Households |                  |           |                        |                                    |            | Corporates |                  |           |                        |                                    |            | Total credit |
|---------|------------|------------------|-----------|------------------------|------------------------------------|------------|------------|------------------|-----------|------------------------|------------------------------------|------------|--------------|
| yoy%    | Total      | Loans & advances | Mortgages | Other loans & advances | Instalment sales & leasing finance | Overdrafts | Total      | Loans & advances | Mortgages | Other loans & advances | Instalment sales & leasing finance | Overdrafts |              |
| Dec-22  | 4.7        | 5.0              | 3.1       | 14.6                   | 2.7                                | -0.4       | 3.5        | 2.6              | 10.1      | -2.2                   | 13.8                               | 1.1        | 4.2          |
| Dec-23  | 3.0        | 2.7              | 2.7       | 0.2                    | 5.4                                | 14.7       | 0.4        | -1.8             | -4.4      | -0.2                   | 21.6                               | -0.6       | 1.9          |
| Dec-24  | 3.1        | 2.2              | 0.8       | 8.2                    | 10.6                               | 0.0        | 5.4        | 3.0              | -0.1      | 11.6                   | 24.1                               | -7.6       | 4.0          |
| Jun-25  | 2.4        | 0.8              | 0.5       | 6.0                    | 15.4                               | -17.3      | 10.6       | 9.2              | -3.2      | 9.8                    | 19.9                               | 29.5       | 5.7          |
| Jul-25  | 2.7        | 1.2              | 0.8       | 5.7                    | 15.5                               | -11.8      | 10.1       | 8.8              | -2.3      | 10.5                   | 18.8                               | 23.4       | 5.7          |
| Aug-25  | 2.8        | 1.3              | 0.8       | 5.7                    | 15.5                               | -11.2      | 10.3       | 8.9              | -2.3      | 11.8                   | 19.9                               | 20.9       | 5.8          |
| Sept-25 | 3.4        | 1.8              | 0.6       | 9.3                    | 15.9                               | -10.3      | 9.5        | 7.5              | -3.1      | 11.0                   | 22.4                               | 16.8       | 5.9          |
| Oct-25  | 2.8        | 1.3              | 0.2       | 8.2                    | 14.8                               | -10.4      | 7.5        | 5.2              | -4.2      | 8.1                    | 22.9                               | 13.9       | 4.7          |
| Nov-25  | 2.5        | 0.9              | 0.0       | 7.2                    | 15.8                               | -12.6      | 7.2        | 4.9              | -2.2      | 6.8                    | 22.7                               | 11.5       | 4.5          |
| Dec-25  | 2.7        | 1.1              | 0.2       | 7.1                    | 15.5                               | -10.7      | 6.8        | 4.5              | -0.9      | 6.3                    | 22.2                               | 8.8        | 4.4          |
| Jan-26  | 3.0        | 1.7              | 0.3       | 6.9                    | 13.6                               | 1.4        | 5.8        | 3.4              | -0.3      | 3.4                    | 22.3                               | 8.6        | 4.2          |
| Feb-26  | 2.9        | 1.5              | 0.4       | 6.2                    | 13.6                               | -1.9       | 7.3        | 4.2              | -0.4      | 6.9                    | 28.1                               | 5.4        | 4.7          |
| Mar-26  | 4.1        | 2.7              | 1.9       | 5.9                    | 15.3                               | 0.5        | 4.4        | 0.8              | -0.3      | 3.3                    | 28.6                               | -2.6       | 4.3          |
| Apr-26  | 4.2        | 2.8              | 1.9       | 5.8                    | 14.8                               | 5.4        | 5.5        | 2.1              | -1.0      | -1.0                   | 27.7                               | 12.9       | 4.8          |
| May-26  | 4.2        | 2.8              | 1.9       | 5.3                    | 14.6                               | 5.8        | 4.4        | 0.3              | 0.3       | -2.4                   | 31.7                               | 6.0        | 4.3          |
| Jun-26  | 4.5        | 3.1              | 2.1       | 4.9                    | 14.8                               | 12.5       | 4.5        | 1.4              | -1.1      | 2.5                    | 24.4                               | 2.2        | 4.5          |

Source: BoN, Nedbank calculations



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