

Monetary Policy Outlook

03 December 2024

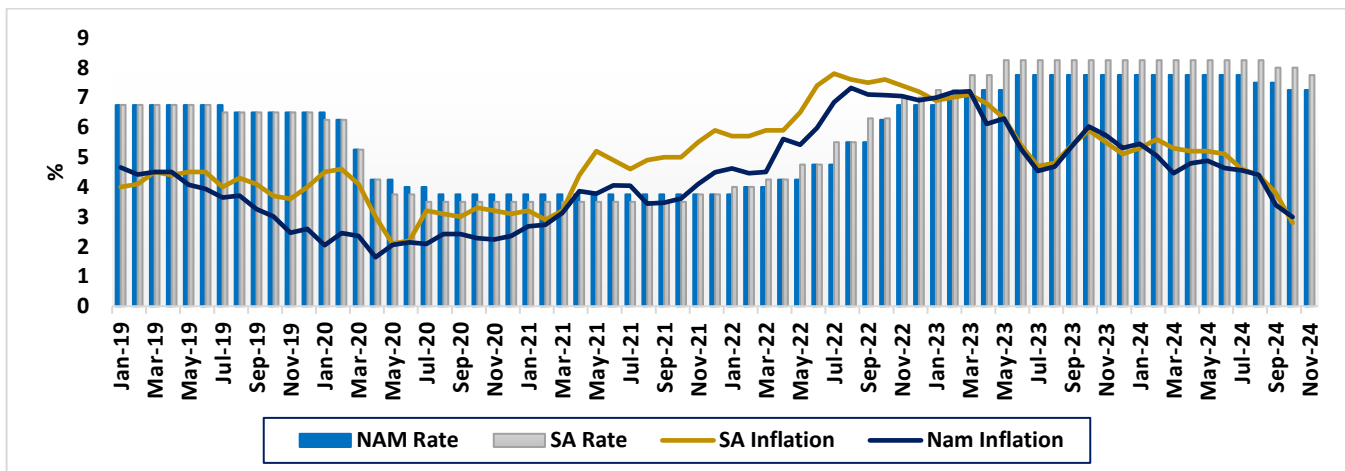
Namibia’s inflation rate has been steadily declining since the end of the second quarter of 2024 (2024Q2), recording a headline inflation rate of 3.0% in October 2024, down from 6.0% in October 2023. This reduction, now at the lower boundary of the target range, follows the Monetary Policy Committee’s (MPC) decision to reduce the repo rate from 7.5% to 7.25% in mid-October 2024 (See Figure 1).

The South African Reserve Bank (SARB) recently cut its repo rate with 25 basis point (bp), from 8% to 7.75% in November 2024. This adjustment reflects a moderation in South Africa’s inflation, which is below the target range of 3%-6% and currently stands at 2.8%, the lowest level since 2020. These trends are indicative of monetary policy alignment within the Common Monetary Area (CMA), driven by the currency peg between member countries. Notably, all CMA countries except Lesotho have reduced their repo rates (See Figure 2).

In their last meeting in October 2024, the Bank of Namibia Monetary Policy Committee unanimously agreed to cut the repo rate by 25 basis points to 7.25%. This decision aimed to safeguard the currency peg between the Namibia Dollar and the South African Rand while simultaneously supporting the domestic economy.

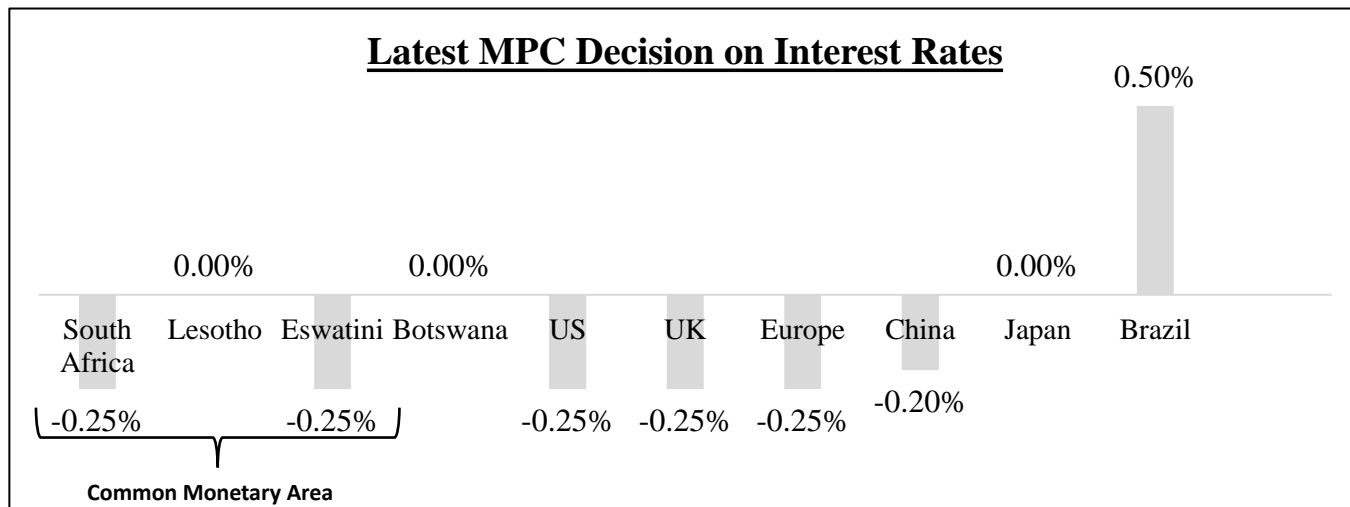
The Bank of Namibia (BoN) is scheduled to hold its final MPC meeting for the year on 4 December 2024. Given its practice of aligning monetary policies with the SARB, we are of the view that the BoN will keep the repo rate at 7.25%. This move is anchored to stabilize inflation projections for early 2025, given the anticipated festive spending from households.

Figure 1: Namibia and South Africa Repo Rates, January 2019 – November 2024



Source: Bank of Namibia, South African Reserve Bank & HEI Research

Figure 2: Latest Global MPC Decisions, 2024



Source: Various Central Banks & HEI Research



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