

# Monetary Policy Outlook

## 16 June 2025

Since the last MPC meeting in April, Namibia's annual inflation has continued to slow down. It declined from 4.2% in March to 3.6% in April and 3.5% in May, primarily due to softer transport inflation, likely reflecting recent fuel price reductions.

Private Sector Credit Extension (PSCE) growth moderated to 4.5% year-on-year in April, down from 4.9% in March. Despite the monthly slowdown, credit growth remains on an upward trajectory compared to earlier in the year, with January and February recording lower rates of 4.06% and 3.94%, respectively. The stagnant growth is mostly due to slow uptake of Mortgage loans. Meanwhile, International reserves in April increased by 6.61% to N\$63.6 billion compared to March's N\$59.7 billion. This provides for 4.2 months of import cover, which is adequate to supporting the currency peg with the South African Rand.

On May 9th, the South African Reserve Bank (SARB) cut the repo rate by 25 basis points to 7.25%, narrowing the interest rate spread with Namibia to 50 basis points. This decision reflects a global trend of monetary easing aimed at supporting growth amid persistent trade tensions and a slowing domestic economy. Inflation remains well contained, with core inflation near the lower bound of the target range, with April's CPI standing at 2.8%, allowing the SARB to adopt a more accommodative stance. The SARB referenced similar recent interest rate cuts by the Bank of England and European Central Bank, consistent with expectations of gradually lower global rates. Looking ahead, the SARB is exploring changes to its inflation target to further strengthen price stability and enable sustained interest rate reductions. If implemented, these changes may alter the interest rate spread with Namibia over the longer term, though risks remain from currency volatility and structural economic challenges.

The United States' tariffs continue to drive trade uncertainty as the current administration seeks to appeal the Court of International Trade's decision. The original 90-day negotiation pause is approaching its deadline, and while some progress has been made, trade between China and the U.S. is reverting back to double-digit tariffs on traded goods. However, a deal has supposedly been reached to ease restrictions on rare earth metals, allowing China to resume exports under limited licensing terms. This development may bring a level of certainty to the global trade in the coming months.

The Bank of Namibia is scheduled to hold its second Monetary Policy Committee Announcement on **June 18<sup>th</sup>, 2025**. The market sentiment is that the Bank of Namibia could **decrease the repo rate by 25 basis points, to 6.5%, or hold rates steady** to help stimulate credit levels and economic growth.

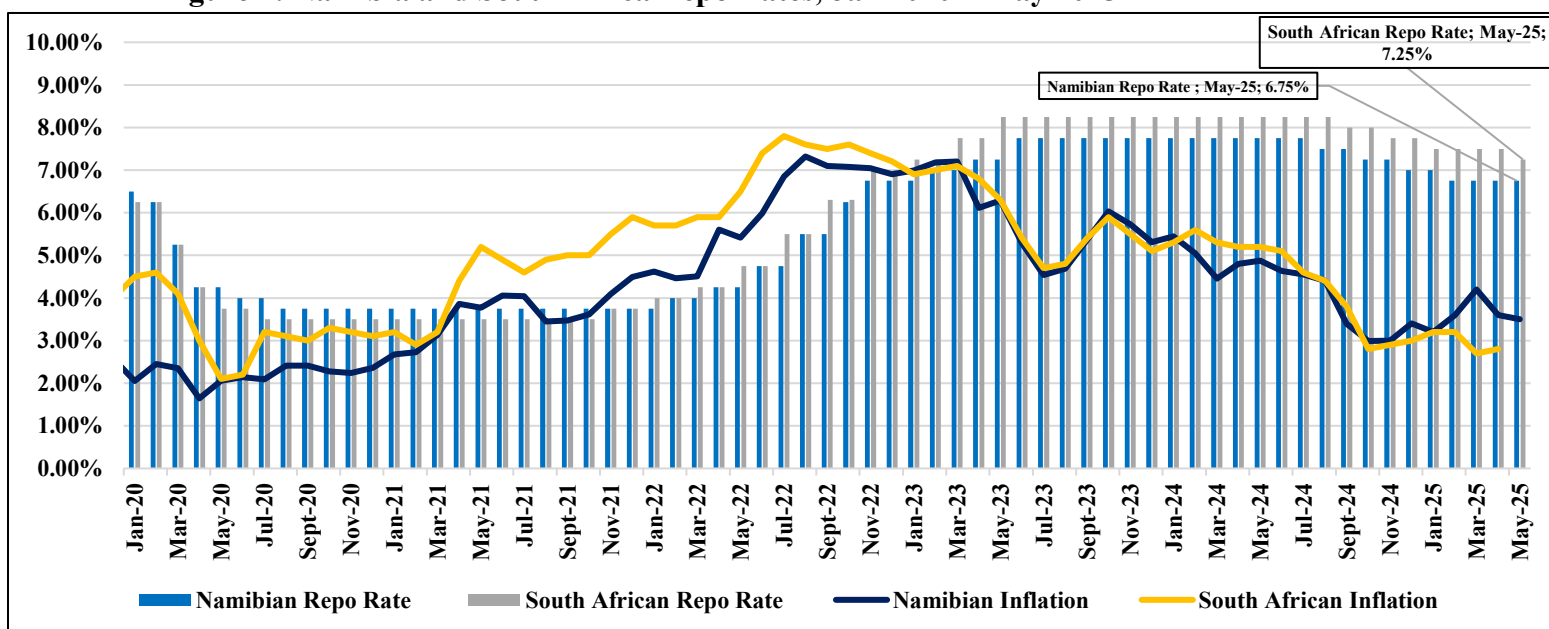
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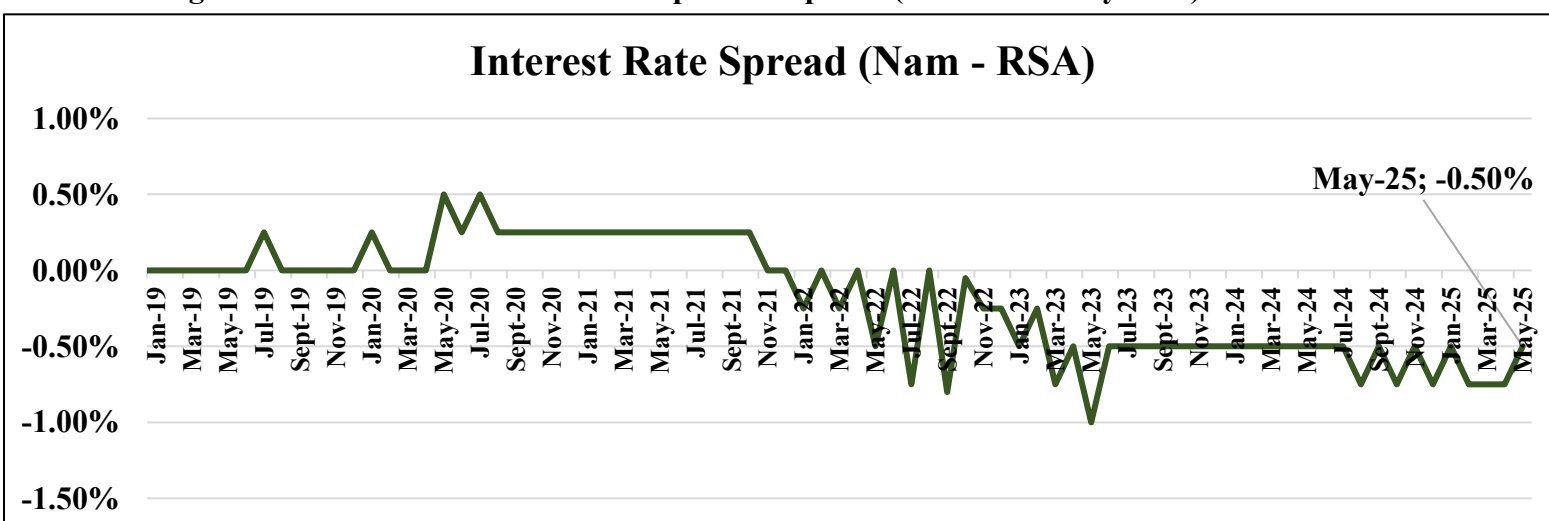
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Figure 1: Namibia and South Africa Repo Rates, Jan 2020 – May 2025 <sup>1</sup>



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

Figure 2: Namibia vs South Africa Repo Rate Spread (Jan 2019 – May 2025)



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

<sup>1</sup> South Africa's CPI basket weights were updated in January 2025, reflecting shifts in household spending, i.e., higher on food, telecoms, and rentals; lower on insurance, fuel, and electricity.

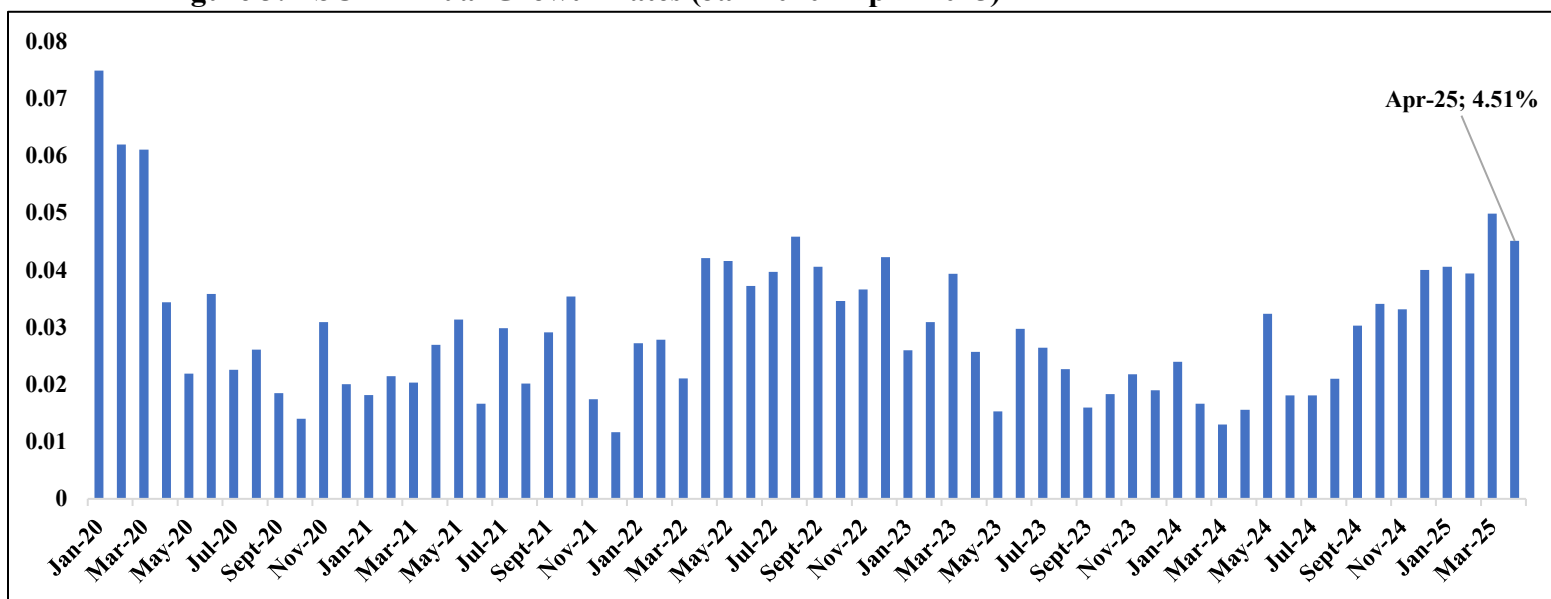
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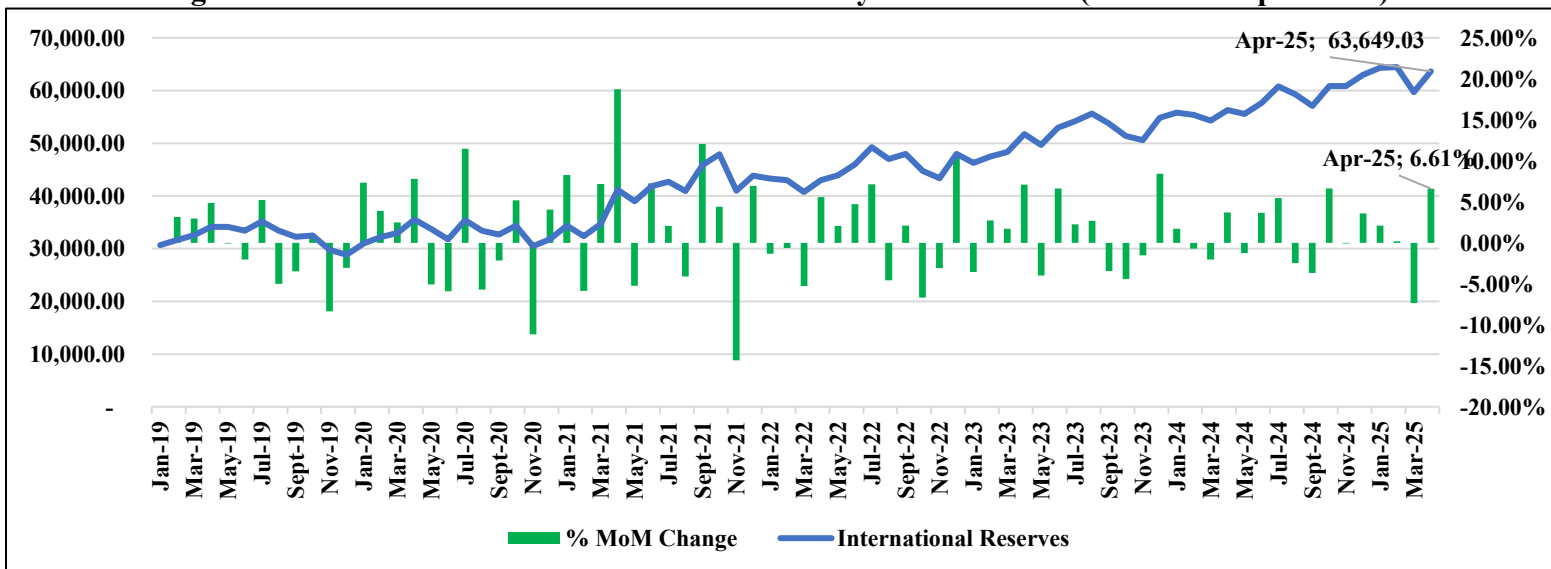
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**Figure 3: PSCE Annual Growth Rates (Jan 2020– April 2025)**



Source: Bank of Namibia

**Figure 4: International Reserve Levels and Monthly Growth Rates (Jan 2019– April 2025)**



Source: Bank of Namibia

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