

MONETARY POLICY DIALOGUE

14 August 2025

Executive Summary

The Monetary Policy Committee of the Bank of Namibia convened its Monetary Policy Dialogue on 14 August 2025, providing stakeholders with an in-depth assessment of the current global and domestic economic environment, the implications of recent policy changes, and emerging priorities for Namibia's monetary and fiscal landscape.

Economic Outlook

The global economy continues to demonstrate moderate resilience despite ongoing trade tensions and fluctuating commodity prices. According to the International Monetary Fund (IMF), world economic growth is projected at **3.0** percent in 2025 and **3.1** percent in 2026. This outlook is supported by steady recoveries in advanced economies and relatively strong performances in emerging markets, although uncertainties linked to geopolitical events and tariff disputes remain a notable risk factor.

Domestically, Namibia's real GDP is expected to grow by **3.5** percent in 2025, marking a moderation from the **4** percent recorded in 2020. Inflation stood at **3.5** percent in July 2025 and is projected to average **3.8** percent for the year, largely driven by transport-related costs, which account for **17.4** percent of the overall inflation rate. Public sector revenue is anticipated to narrow due to lower Southern African Customs Union (SACU) receipts, which are estimated to be between **N\$21 billion** and **N\$28 billion** for the year. The national budget deficit is forecast to narrow to **4.6** percent of GDP in the 2025/26 financial period, with **N\$12.8 billion** required to fund development projects and related activities. In the monetary sector, broad money supply is expected to decline, although the M2 measure of money supply is projected to remain strong.

Impact of US Tariffs

A key point of discussion was the impact of the United States' revised tariff regime on Namibia and its trading partners.

The US has lowered Namibia's tariff rate to **15** percent while imposing a significantly higher rate of **30** percent on South Africa, the highest for any African nation.

For Namibia, uranium exports are exempt from tariffs and will experience minimal disruption. However, diamonds are now subject to a **15** percent tariff, a development that could reduce export volumes and dampen global demand. The marble industry faces significant exposure, as the US accounts for **88.7** percent of Namibia's marble exports, making it highly vulnerable to tariff-induced declines in production. Salt exports are expected to face only a marginal impact, with the US importing only **1.4** percent of Namibia's total salt output.

The indirect effects of these tariffs are expected to be felt through South Africa, which remains Namibia's seventh-largest trading partner, contributing **3** percent to Namibia's total exports. Since the introduction of the US tariffs, South Africa's exports to the US have fallen by **82** percent. This decline could have negative effects for Namibia's transport sector and vehicle import costs, placing further upward pressure on transport-related inflation.

Monetary Policy Rate Developments

Since 2010, Namibia has maintained a spread of **3.75** basis points between the repo rate and the prime lending rate, compared to a spread of **3.50** basis points in other Common Monetary Area (CMA) countries.

The MPC urged commercial banks to implement a two-phase reduction of the prime lending rate, targeting a cut to **12.5** basis points in September and December 2025. This measure is aimed at easing borrowing costs, stimulating investment, and supporting domestic economic activity amid external headwinds.

Emerging Issues

The Bank of Namibia outlined several forward-looking initiatives within its Reserves Management Strategy.

A key priority is the accumulation of financial assets and gold, with a target of holding gold equivalent to **3** percent of net foreign exchange reserves. Gold is viewed as an effective hedge against inflation and global economic shocks. In this regard, the Bank is engaging South African mining companies to improve gold purification to **99.9** percent purity, compared to the current **80** percent achieved domestically, in order to achieve its gold reserves target.

Additionally, Namibia has reached its targeted **US\$500 million** in its sinking fund, a strategic reserve established to ensure the timely repayment of the **US\$750 million** Eurobond maturing on 29 October 2025. This achievement reflects prudent fiscal planning and strengthens the country's credibility in international capital markets.

Conclusion

The Monetary Policy Dialogue highlighted both the resilience and the vulnerabilities of Namibia's economic landscape in 2025. While the global economy is projected to grow steadily, domestic conditions point to a moderated pace of expansion amid external trade pressures and fiscal constraints. The impact of US tariffs particularly through Namibia's close economic ties with South Africa, will require careful monitoring, as indirect effects on transport costs and inflation could weigh on household spending and business operations.

On the policy front, the MPC's planned adjustments to the prime lending rate are expected to support credit conditions and investment, providing a cushion for the domestic economy against external shocks. In addition, the Bank of Namibia's strategic emphasis on reserve diversification and gold accumulation strengthens the country's financial stability and preparedness for debt obligations, including the upcoming Eurobond maturity.

Overall, Namibia's macroeconomic trajectory for 2025 will depend on the balance between supportive monetary measures, prudent fiscal management, and the country's ability to navigate shifting global trade dynamics. The combination of forward-looking policy decisions and reserve management strategies positions Namibia to maintain stability while pursuing sustainable growth in a challenging external environment.