

# Monetary Policy Outlook

03 December 2025

## 1. Executive summary

Since the last Monetary Policy decision, Namibia's economy has remained broadly disinflationary, with inflation averaging mid-3% and holding at 3.6% in October, while fuel adjustments are expected to have only a marginal impact. External conditions have weakened, with international reserves falling from roughly N\$57 billion in May to N\$48.6 billion by October, influenced by the Eurobond repayment and a persistent trade deficit. Private sector credit growth remains modest, led by business lending, and producer prices show uneven but manageable input cost pressures. Regional monetary policy has shifted toward accommodation, with South Africa, Lesotho, and Eswatini lowering rates, providing Namibia with additional policy space. Ahead of the December 3rd Monetary Policy Committee meeting, market expectations point to either **maintaining the repo rate at 6.50% or a 25-basis-point cut**, balancing moderate inflation and subdued domestic demand against external pressures.

## 2. Analysis

Since the October policy decision, domestic conditions have remained broadly disinflationary, even as external balances have weakened. Inflation has stayed within a narrow range, averaging in the mid-3% band between January and October. After holding at 3.5% in September, annual inflation edged slightly to 3.6% in October, reflecting contained food and housing price dynamics. Fuel cost pressures remain moderate, with a small increase in March and a planned 21-cent per litre adjustment in December expected to raise transport inflation only marginally. With headline inflation comfortably within South Africa's revised 3% target and 1-percentage-point tolerance band, the regional environment allows room for measured policy easing. Commercial banks are expected to reduce their prime lending rate spread by a further 0.125% in December, bringing Namibia's spread more in line with other Common Monetary Area members.

External conditions deteriorated markedly heading into Q4. The official stock of international reserves fell to N\$48.6 billion at end-October, reflecting monthly and annual declines of 11.2% and 20.2%. The Eurobond redemption was the primary driver, reinforced by net ZAR outflows from commercial banks, government foreign payments, and the appreciation of the Namibia–South Africa currency against the US dollar. Import cover eased to an estimated 3.2 months, or 3.5 months when excluding oil and gas exploration-related imports. These pressures were compounded by a widening trade imbalance, as exports weakened sharply in August and September while imports remained elevated. Although mineral-sector exports are inherently volatile, current trends point to softer external demand and less favourable commodity flows into Q4, prolonging strain on reserve buffers.

Domestic activity indicators remain subdued. Private sector credit extension continues to grow modestly<sup>1</sup>, with household borrowing largely stagnant and business credit sustaining moderate momentum from working-capital and investment-related lending. These dynamics reinforce a benign inflation outlook, as domestic financial conditions are not generating material demand-side pressures.

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<sup>1</sup> PSCE YoY Growth Oct 2025 standing at 5.71%

Producer price trends offer additional insight into domestic inflationary pressures. Q3 2025 PPI data show mixed performance across industries, with mining rebounding sharply, led by gold and zinc, while diamonds and salt experienced significant volatility. Manufacturing output strengthened in key sectors, including meat, fish, and dairy processing, though non-metallic mineral products and diamond cutting remain weak. Overall, the PPI suggests that input cost pressures are uneven but manageable, with substantial gains in export-oriented mining and processing partially offset by weaker activity in other sectors.

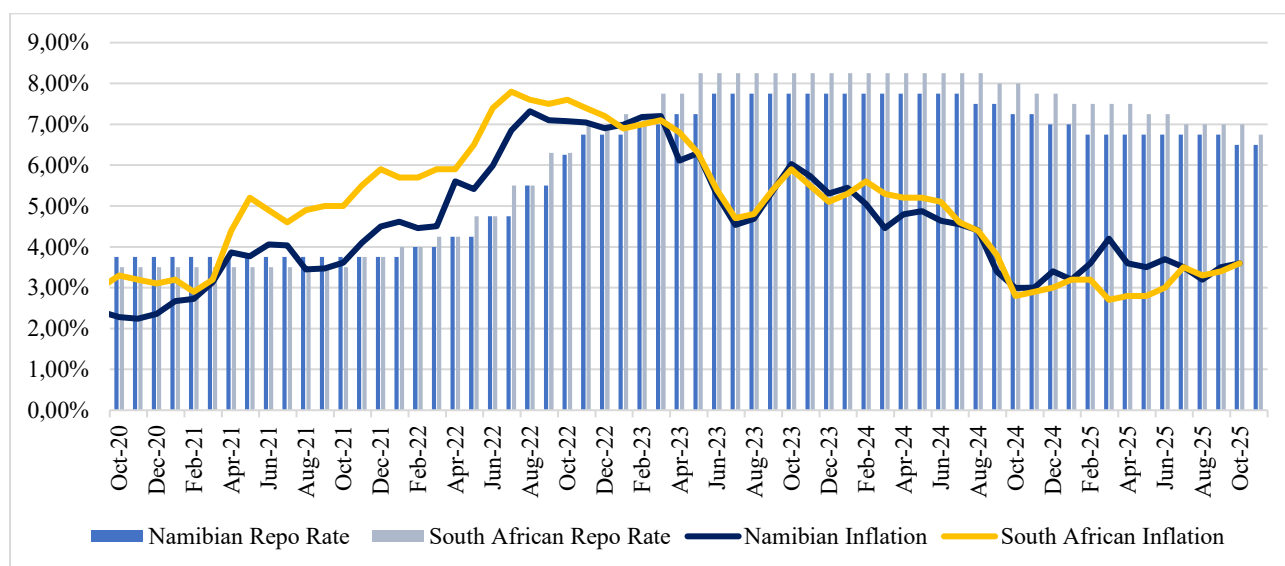
Regional monetary settings have shifted toward accommodation. South Africa lowered its policy rate to 6.75% following its transition to a 3% inflation target with a 1pp tolerance band, reflecting confidence in its disinflation pathway. Lesotho and Eswatini followed with corresponding rate cuts. This coordinated easing across the Common Monetary Area expands Namibia's policy space, reducing risks related to capital flows or exchange-rate misalignment should domestic conditions justify recalibration. Although global financial markets remain sensitive to geopolitical and commodity-price shocks, the regional backdrop is now more supportive of maintaining a cautious but flexible stance.

### 3. Outlook

The Bank of Namibia is scheduled to hold its next Monetary Policy Committee meeting on **December 3rd, 2025**. Market expectations are divided between **maintaining the current repo rate at 6.50%** to preserve a buffer that allows commercial banks to sustain a prime lending rate spread in line with other CMA members, and **cutting the rate by 25 basis points**, supported by moderate inflation, subdued household demand, and the recent easing of regional monetary policy with South Africa, Lesotho, and Eswatini lowering rates. However, pressures from the Eurobond repayment, declining international reserves, and ongoing trade imbalances remain factors in the decision. The Bank of Namibia will weigh these considerations carefully to support economic activity while safeguarding price stability and the currency peg.

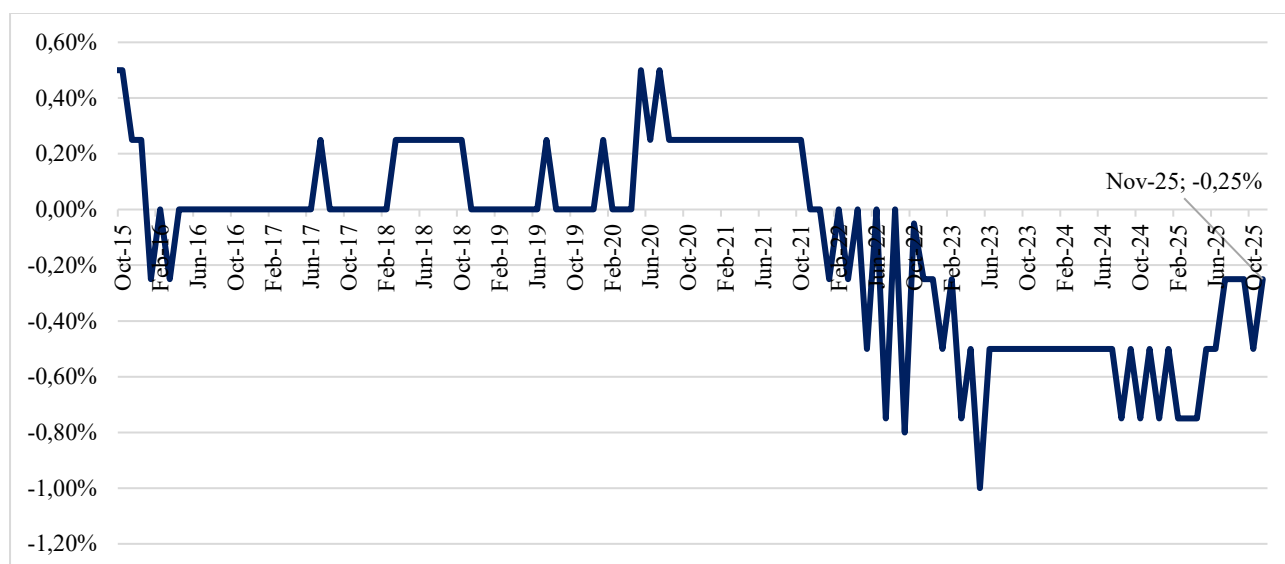
### 4. Figures

**Figure 1: Namibia and South African Repo Rates, Oct 2020 – Nov 2025**



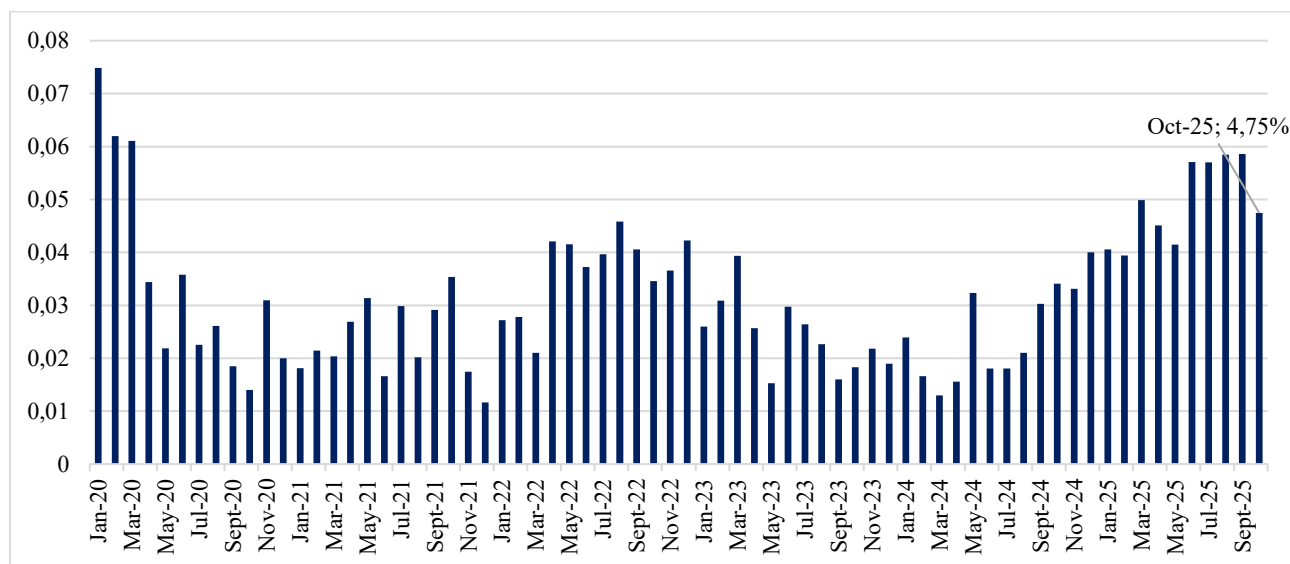
Source: Bank of Namibia, Namibia Statistics Agency, South African Reserve Bank & StatsSA

**Figure 2: Namibia vs South Africa Repo Rate Spread (Oct 2015 – Nov 2025)**



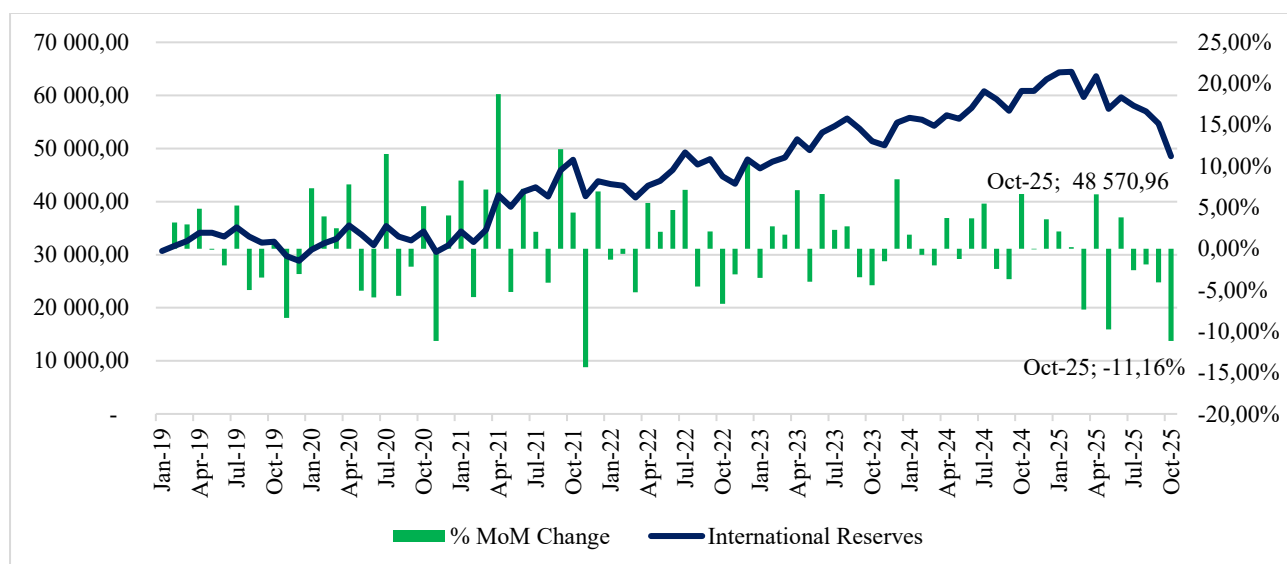
Source: Bank of Namibia, South African Reserve Bank & HEI Research

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



Source: Bank of Namibia

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



Source: Bank of Namibia