

Monetary Policy outlook

15 June 2026

1. Executive summary

Since the April MPC decision, Namibia's inflation outlook has shifted upward, driven primarily by fuel and transport costs, including higher taxi and ride-hailing fares. Domestic demand remains contained, while improved reserves and a stronger Namibia dollar provide some cushion. However, South Africa's rate hike, Namibia's wider repo-rate gap within the CMA, and persistent global energy risks have strengthened the case for a more cautious policy stance. **The most likely outcome at the 17 June MPC meeting is a 25-basis-point hike, although a hold remains a credible alternative if the Bank of Namibia judges that inflation pressures have not yet become sufficiently broad-based¹.**

2. Analysis

Since the 29 April 2026 decision, Headline Inflation in Namibia has accelerated, although it remains moderate by historical standards. Headline inflation increased from 2.1% YoY in March to 3.1% in April and 4.1% in May. While the increase appears substantial, it is important to note that inflation is measured on a year-on-year basis and therefore reflects price levels relative to the same period in 2025, when fuel prices and transport costs were comparatively lower. Nevertheless, the pace of the increase indicates that the fuel shock experienced during the second quarter has contributed to higher consumer prices, particularly through transport-related components. Core inflation also moderately increased, suggesting that some price pressures may be extending beyond fuel and transport, although evidence of broad-based *second-round effects*² remains limited. South African inflation similarly rose to 4.0% in April, reflecting comparable regional pressures from higher fuel and transport costs. (See *Figure 1*)

The increase in inflation follows significant fuel price adjustments implemented during April and May. Petrol prices rose by a cumulative N\$3.90 per litre over the two months, while diesel prices increased by N\$8.63 per litre before remaining unchanged in June. The magnitude of the diesel increase is particularly important given its influence on freight, logistics, food distribution and production costs. While higher fuel prices have contributed to rising transport costs, evidence of broader pass-through across the consumer basket remains limited. As such, the extent to which the recent fuel shock translates into more persistent inflationary pressures remains uncertain.

Domestic credit conditions continued to improve but remained moderate. Growth in Private Sector Credit Extension (PSCE) rose to 4.77% YoY in April 2026 from 4.3% in March, driven mainly by business credit, which increased to 5.5% YoY on stronger overdraft and instalment and leasing uptake in the mining and construction sectors. Household credit edged higher to 4.2% YoY, while instalment and leasing remained the fastest-growing credit category at 20.6% YoY. Overall, PSCE growth points to a gradual recovery in economic activity, but not yet to strong demand-side inflation pressure. (See *Figure 4*)

The external position improved in April, with international reserves rising by 13.6% MoM to N\$58.8 billion, supported by SACU inflows and Customer Foreign Currency placements. Import cover improved to 3.7 months, keeping reserves at levels considered adequate to support the currency peg and meet short-term external

¹ Broad-based means price changes are occurring across a wide range of goods and services in the consumer basket, rather than being concentrated in a few categories such as fuel or transport.

² Second-round effects occur when an initial increase in costs, such as fuel prices, leads to higher prices across a broader range of goods and services in the consumer basket.

obligations. While higher fuel import costs remain a risk, the reserve rebound provides a stronger external buffer than at the previous decision. *(See Figure 5)*

Exchange-rate developments have also provided some relief. Since the April MPA, the Namibia dollar has strengthened against most major currencies, including the US dollar, euro, pound sterling and Chinese yuan. This appreciation has helped moderate the domestic cost of imported goods and partially offset the inflationary impact of higher international fuel prices. However, the exchange-rate effect has not been sufficient to fully counteract the magnitude of the recent fuel shock. *(See Figure 6)*

Within the Common Monetary Area, monetary conditions have become less accommodative. South Africa increased its policy rate to 7.00%, while Lesotho raised its rate to 6.75% and Eswatini maintained its rate at 6.75%. As a result, Namibia's repo rate of 6.50% now sits below that of all other CMA members. At the same time, South African inflation has moved higher, and SARB projections continue to indicate elevated near-term inflation risks arising from fuel costs, freight pressures and global supply-side disruptions. The regional environment therefore remains supportive of policy caution, particularly as inflationary pressures become more evident across the CMA. *(See Figures 2 and 3)*

Overall, economic conditions remain mixed. Credit growth and reserve accumulation have improved, while exchange-rate movements have helped cushion imported inflation pressures. However, the sharp rise in headline inflation since March reflects the impact of higher fuel and transport costs on consumer prices. Although inflation remains below the levels observed during the 2022 tightening cycle, the balance of risks has shifted materially since the April decision. The current environment is no longer characterised by broad-based disinflation, but by a clear shift toward rising inflation risks and a more restrictive regional monetary backdrop.

3. Sentiment and Outlook

The 17 June 2026 Monetary Policy Committee announcement takes place in a more inflation-sensitive environment than the April decision. Headline inflation has risen sharply following the second-quarter fuel shock, while South Africa has already raised its policy rate. This leaves Namibia's repo rate below that of all other Common Monetary Area members, increasing pressure to preserve policy alignment and external stability.

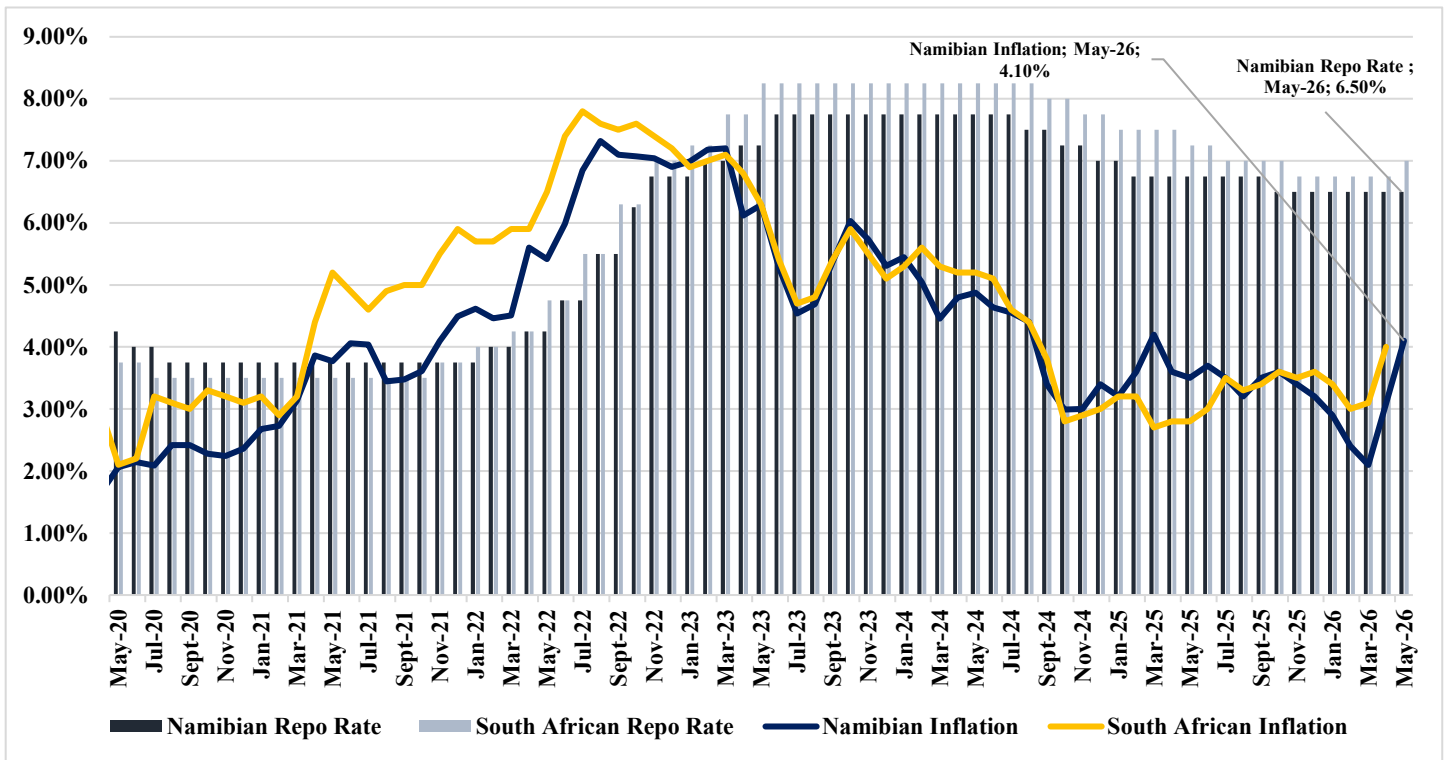
Although domestic demand remains contained and early analysis shows limited broad-based second-round effects, risks have shifted upward. Namibia's close trade links with South Africa increase exposure to regional fuel and transport pressures, while the May increase in taxi and ride-hailing fares has added to domestic transport inflation. Although progress in US-Iran negotiations has lowered oil prices and improved market sentiment, the reopening of the Strait of Hormuz remains uncertain and earlier disruptions may continue to influence global energy and shipping costs in the near term.

Improved reserves, a stronger exchange rate and moderate credit growth provide some cushion, but these may not be sufficient if fuel and transport costs continue feeding into food, distribution and broader operating costs. With inflation above 4% and the repo rate now below all other CMA members, the policy environment has become less consistent with an accommodative stance.

On balance, the most likely outcome is a 25-basis-point hike, although a hold accompanied by a more cautious assessment of inflation risks remains a credible alternative if the Committee concludes that inflation pressures have not yet become sufficiently broad-based. Should the Bank hold in June, the likelihood of a hike over the next two MPC meetings would remain a possibility, particularly if Namibian and South African inflation remain above the upper end of South Africa's inflation tolerance range or evidence of broader pass-through effects begins to emerge.

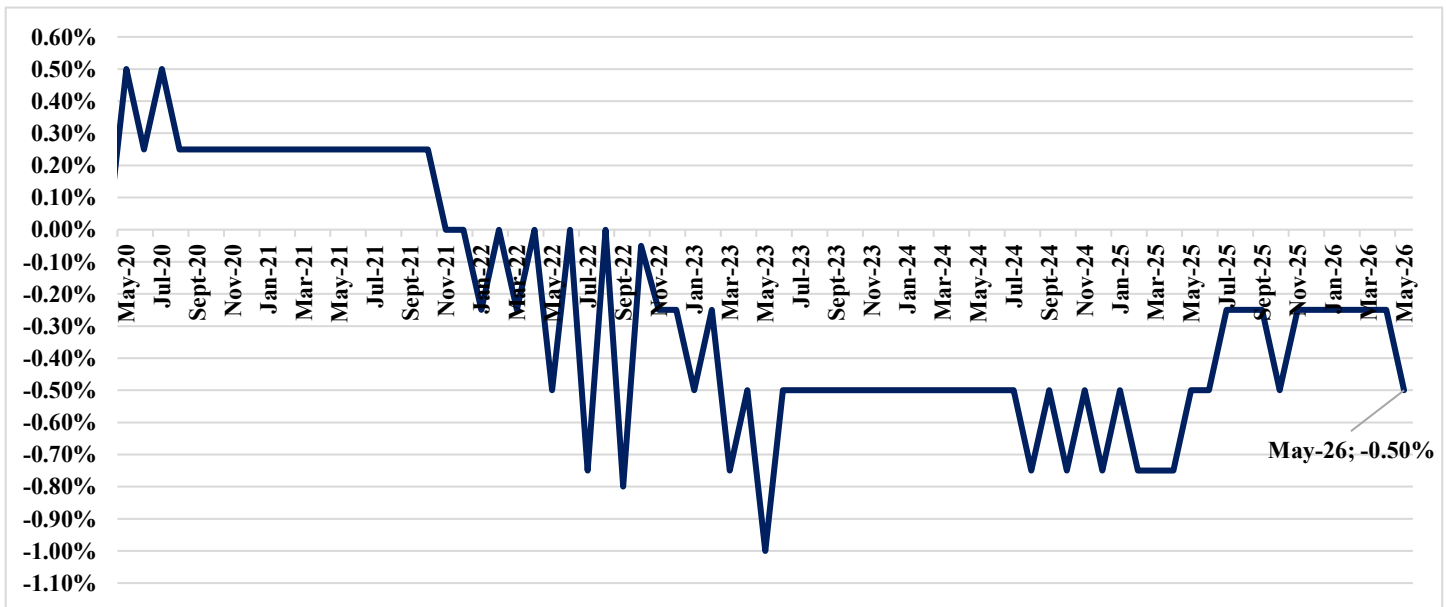
4. Figures

Figure 1: Namibia and South African Repo Rates May 2020 – May 2026



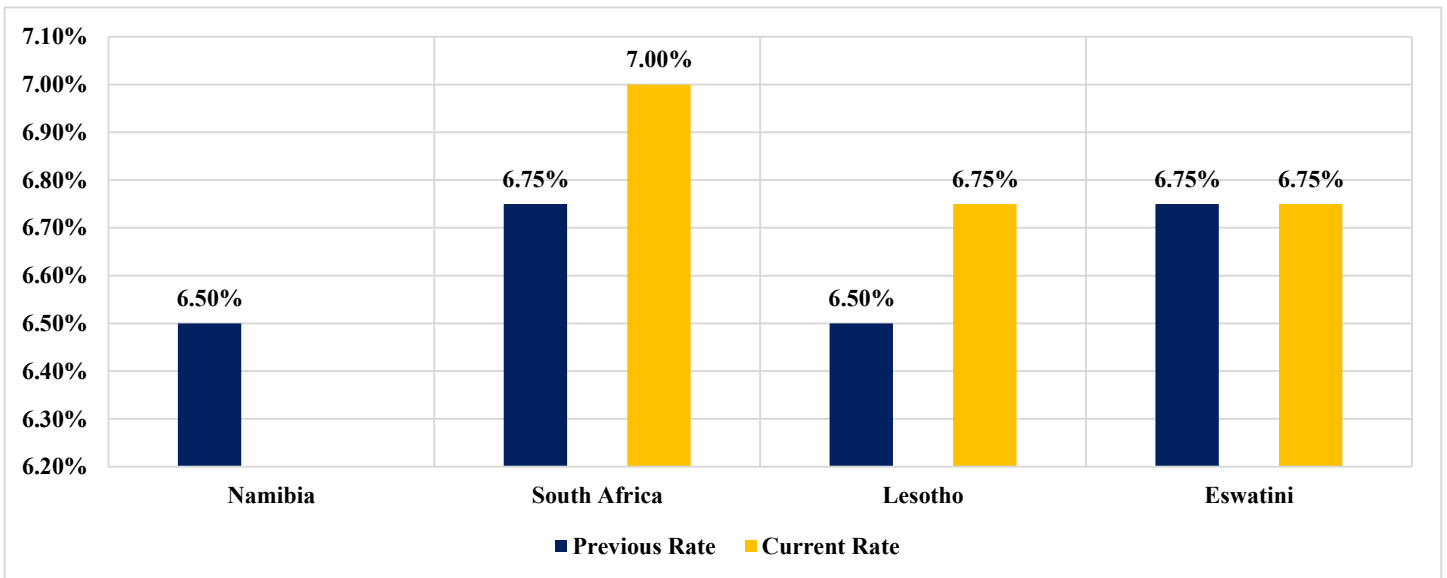
Source: Bank of Namibia, Namibia Statistics Agency, South African Reserve Bank & StatsSA

Figure 2: Namibia vs South Africa Repo Rate Spread



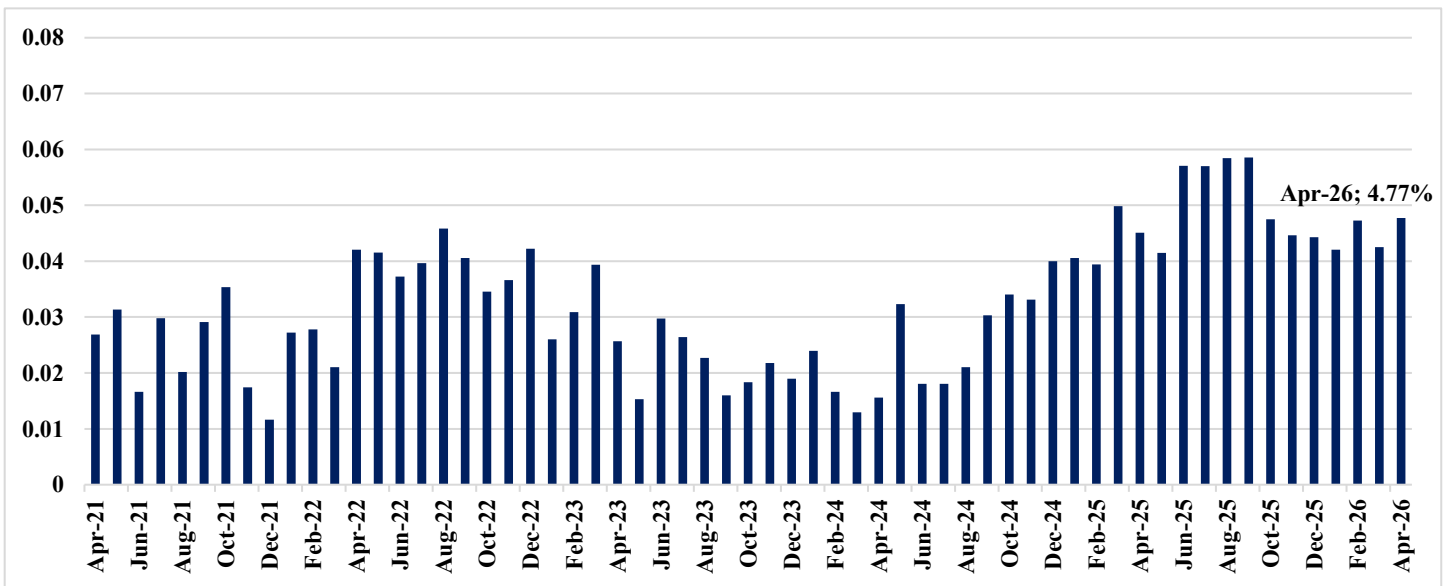
Source: BoN & SARB

Figure 3: Namibia vs CMA Bank Rates³



Source: BoN, SARB, CBL & CBE (Relevant Central Banks)

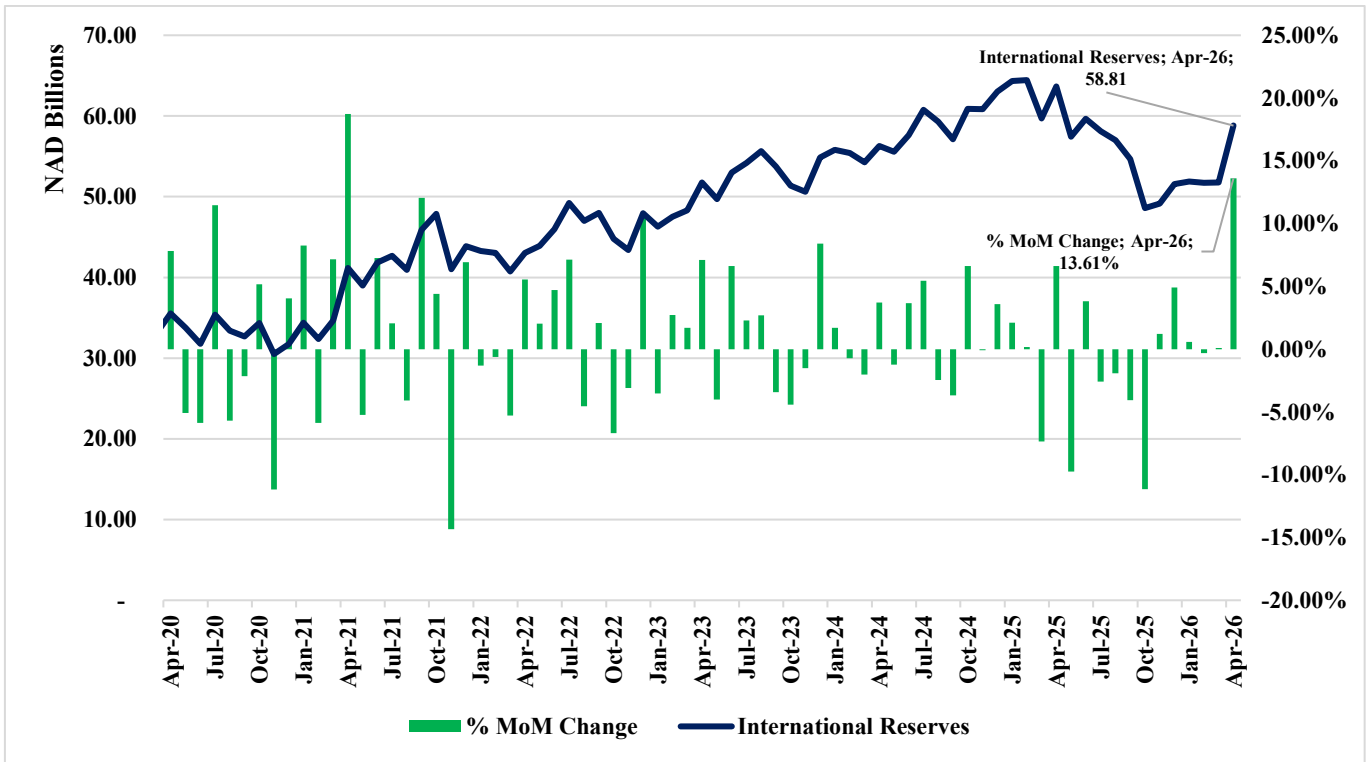
Figure 4: PSCE Annual Growth Rates (Apr 2021 – Apr 2026)



Source: BoN

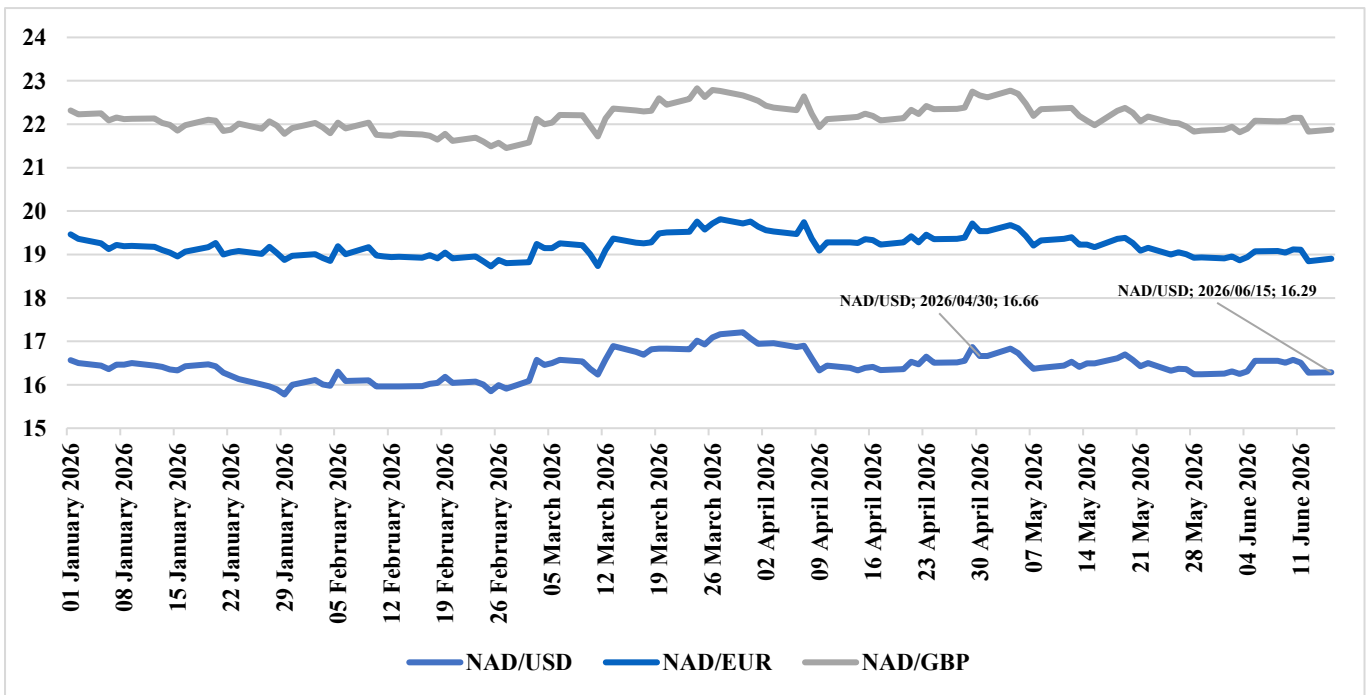
³ Every other CMA country bar Namibia had an MPA in May

Figure 5: International Reserve Levels & Monthly Growth Rates (Apr 2020 - Apr 2026)



Source: BoN

Figure 6: Various Currencies vs NAD



Source: HEI Research