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Monetary Policy outlook

10 August 2026

1. Executive summary

Since the June MPC decision, Namibia's inflation outlook has become more cautious, with headline inflation rising to 4.4% in June amid continued pressure from transport, fuel-related costs and selected administered price categories. While inflation remains moderate by historical standards, domestic activity remains subdued and credit growth has improved only gradually. External stability remains supported by adequate reserves and the Namibia Dollar–South African Rand peg, while CMA monetary conditions remain restrictive, with South Africa at 7.00% and Lesotho and Eswatini at 6.75%. **On balance, the current macroeconomic environment supports a hold at 6.75% at the 12 August 2026 MPC meeting, although a 25-basis-point hike remains a credible alternative should the Bank of Namibia assess inflation risks as becoming more broad-based, or should fuel and external pressures intensify.**

2. Analysis

Since the June 2026 decision, Namibia's inflation outlook has continued to reflect elevated price pressures, although inflation remains moderate by historical standards. Headline inflation increased from 4.1% in May to 4.4% in June, reflecting continued upward pressure from transport-related costs as well as housing, water, electricity, gas and other fuels. Core inflation also increased marginally, from 3.1% to 3.3%, suggesting that some price pressures may be gradually extending beyond fuel and transport components, although evidence of broad-based second-round effects remains limited. ***(See Figure 1)***

The persistence of transport inflation reflects the pass-through effects of earlier fuel price adjustments, which have contributed to higher transportation and logistics costs across the economy. Recent fuel price reductions provided some relief to domestic price pressures; however, the reinstatement of government fuel levies is expected to partially offset this improvement and may result in renewed upward pressure on fuel-related inflation. The latest inflation forecast points to a further near-term increase, with headline inflation projected to move from around 4.4% in June towards the 5.0% range over the next few months, before remaining elevated into 2027. Consequently, while inflationary pressures may moderate in the near term, the outlook remains subject to energy price risks and other external cost pressures. Regionally, South African inflation increased to 5.0%, highlighting continued inflationary pressures within the Common Monetary Area and the importance of regional price developments for Namibia's monetary policy outlook.

Domestic credit conditions remained supportive in June 2026. Private Sector Credit Extension (PSCE) growth increased to **4.5% year-on-year** from **4.3% in May**, supported by stronger credit uptake from both businesses and households. Business credit growth rose to **4.5% year-on-year** from **4.3% in May**, driven by continued growth in loans and advances and instalment and leasing finance. Household credit growth also strengthened to **4.5% year-on-year**, compared to **4.2% in May**, with instalment and leasing finance remaining the main contributor. Overall, the modest increase in PSCE growth indicates that domestic credit conditions continue to support economic activity, while credit expansion remains moderate and broadly contained. ***(See Figure 4)***

International reserves improved slightly in June 2026, increasing by **1.79% month-on-month** to **N$56.4 billion** from **N$55.4 billion in May**. However, reserves declined by **5.40% year-on-year**, reflecting a weaker reserve position compared to the same period in the previous year. Despite this decline, reserve levels remained adequate to support the Namibia Dollar–South African Rand currency peg and meet short-term external obligations. Reserve holdings provided **3.5 months of import cover**, rising to **3.9 months when excluding oil and gas exploration-related imports**, indicating continued external sector stability. ***(See Figure 5)***

Namibia's external sector weakened in June 2026, with the merchandise trade deficit widening to **N$5.5 billion** from **N$3.2 billion in May**, reflecting stronger import growth relative to exports. Export earnings remained largely supported by mining commodities, particularly uranium, non-monetary gold, diamonds and nickel ores, while fish was the only significant non-mineral export among the top export products. Imports increased to a notably high level, driven mainly by petroleum products, nickel ores, commercial vehicles and fertilizers, indicating continued demand for energy, industrial and capital-related goods. China remained Namibia's largest export destination, while South Africa continued to dominate as the country's principal source of imports. Although the country recorded a surplus in food trade, the wider deterioration in the trade balance points to ongoing external sector pressures and highlights Namibia's continued dependence on imported fuel and intermediate goods**. (*See Figure 7)***

Exchange-rate developments provided some support to the domestic inflation outlook over the review period. The Namibia dollar appreciated slightly, with the exchange rate declining by 0.32 to 16.35. The relative strengthening of the currency may have provided some relief by moderating imported inflation pressures, particularly through lower costs of imported goods and fuel. However, exchange-rate movements remain subject to global currency developments and external market conditions. ***(See Figure 6)***

Within the Common Monetary Area (CMA), monetary policy conditions remained unchanged, with South Africa maintaining its repo rate at 7.00%, while Lesotho and Eswatini kept their policy rates at 6.75%. Following Namibia's previous MPC decision, the country's repo rate is now aligned with other CMA members, reducing regional interest rate differentials. With Namibia being the remaining CMA member yet to announce its policy decision, regional developments continue to support a cautious assessment of domestic inflation and external conditions.

Regional inflation risks also remain elevated. South Africa's inflation has moved higher, largely on the back of fuel and transport costs, while SARB expects headline inflation to remain above 4% until early 2027. Lesotho and Eswatini also flagged oil prices, transport costs and broader second-round effects as key risks to their inflation outlooks. The CMA environment therefore continues to support a cautious policy stance, particularly as fuel-driven price pressures become more visible across the region. ***(See Figures 2 and 3)***

Overall, economic conditions remain mixed. Credit growth and international reserve accumulation improved during June 2026, while reserve levels continued to provide adequate support for the exchange-rate arrangement and short-term external obligations. However, headline inflation increased further in June, reflecting continued pressures from transport, fuel and selected administered price categories. Although inflation remains moderate by historical standards, the balance of risks remains tilted to the upside.

The current environment is therefore characterised by gradually rising inflation pressures, moderate domestic economic activity, adequate reserves and a regional monetary policy backdrop that remains relatively restrictive following the South African Reserve Bank's decision to maintain its policy rate at an elevated level. Given the absence of clear demand-driven inflation and the still-moderate domestic growth backdrop, an immediate further tightening may place additional pressure on households and businesses without materially addressing the largely external nature of current inflation pressures.

3. Sentiment and Outlook

The 12 August 2026 Monetary Policy Committee announcement takes place against a backdrop of mixed domestic and external developments. Economic activity remains moderate, while credit growth has continued to expand, indicating stable domestic financial conditions. International reserves improved during June, supporting confidence in the Namibia Dollar–South African Rand currency arrangement and maintaining adequate import cover. However, the external sector came under pressure, with the trade deficit widening due to stronger import demand, although mineral exports continued to provide support to export earnings.

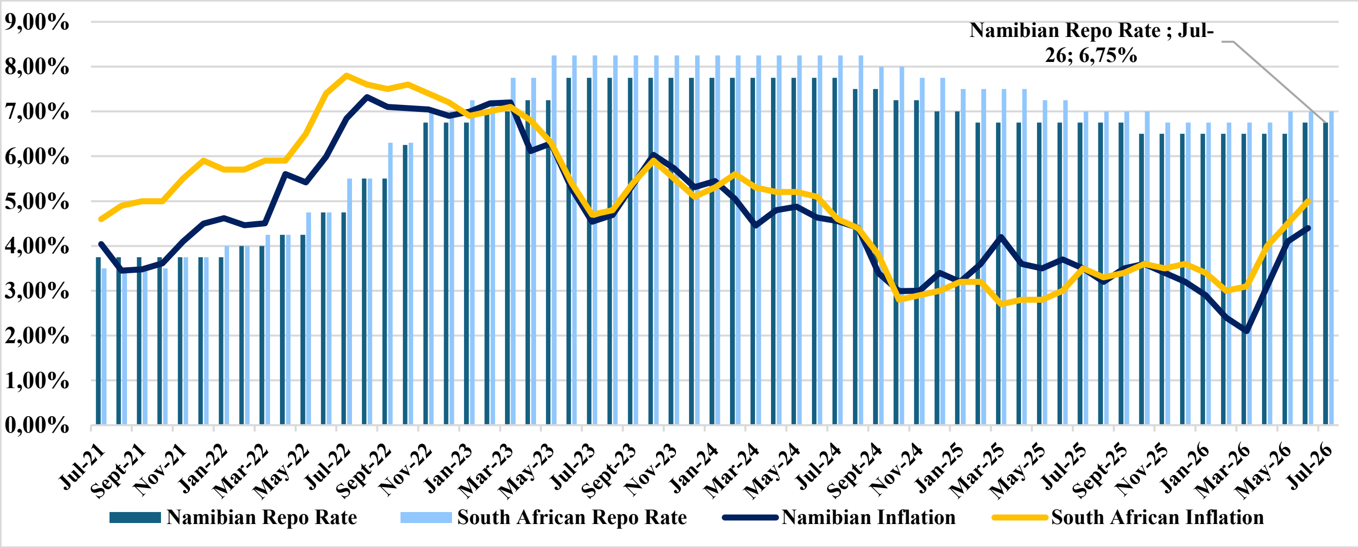
Regional monetary developments remain an important consideration for the Committee, following the South African Reserve Bank's decision to maintain its policy rate at 7.00% in July. Namibia's repo rate remains 25 basis points below that of South Africa, although the current differential remains manageable given adequate reserve levels and continued exchange-rate stability.

The balance of risks remains mixed. Rising inflation pressures, global energy market uncertainty and regional inflation developments require continued monitoring. However, contained core inflation, stable credit conditions, adequate reserves and the absence of strong demand-driven inflation provide room for the Committee to maintain its current stance.

On balance, the most likely outcome is a hold of the repo rate at 6.75%, allowing previous policy adjustments to continue transmitting through the economy. **However, a 25-basis-point hike remains a credible alternative** should inflation risks intensify or external conditions deteriorate, particularly through renewed fuel price pressures or increased regional monetary policy divergence.

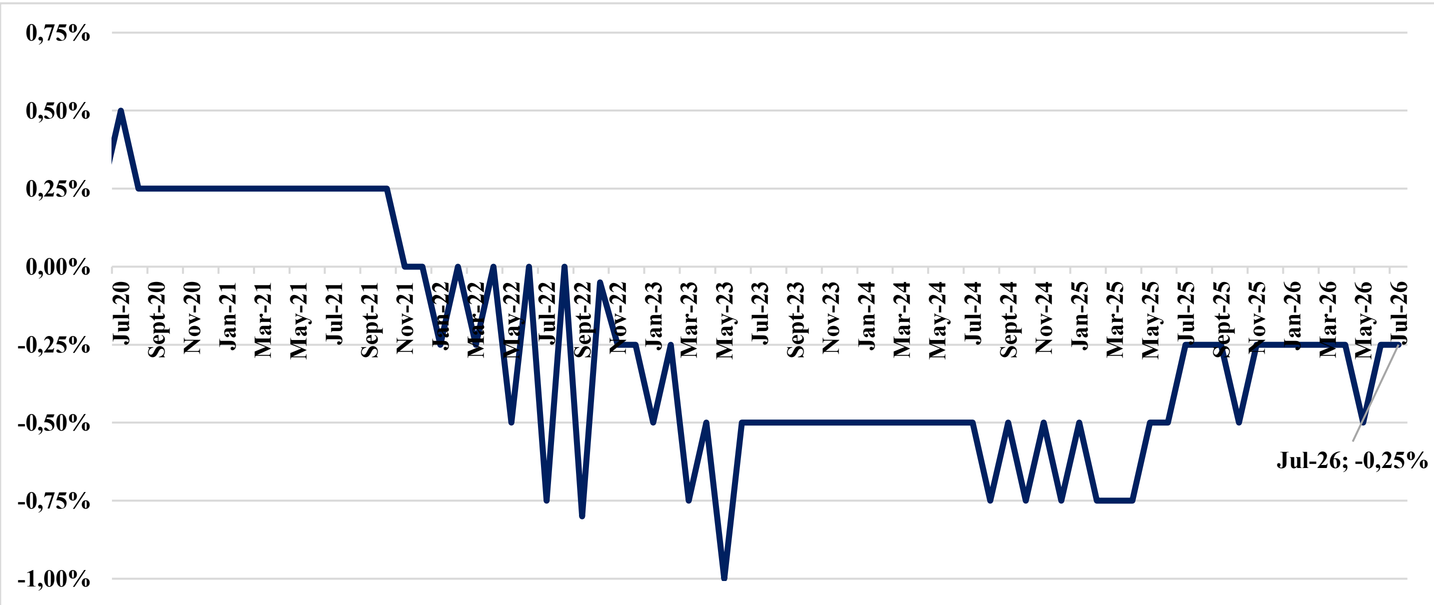
4. Figures

Figure 1: Namibia and South African Repo Rates July 2021– July 2026



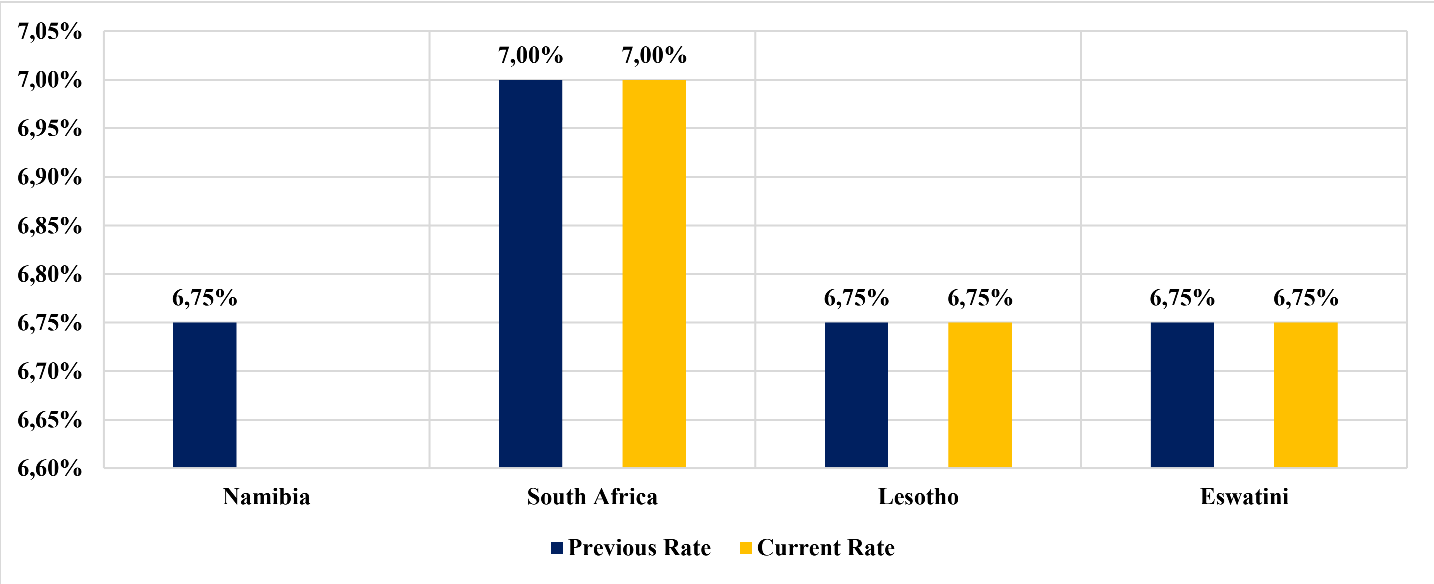
Source: Bank of Namibia, Namibia Statistics Agency, South African Reserve Bank & StatsSA

Figure 2: Namibia vs South Africa Repo Rate Spread



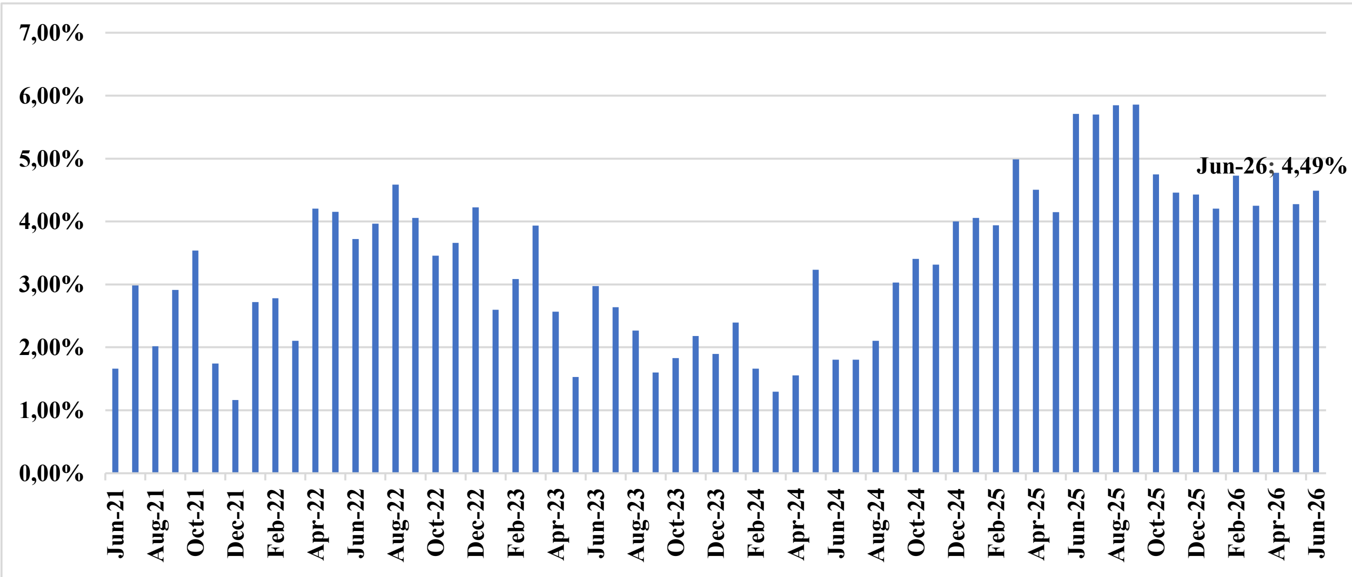
Source: BoN & SARB

Figure 3: Namibia vs CMA Bank Rates[1]



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

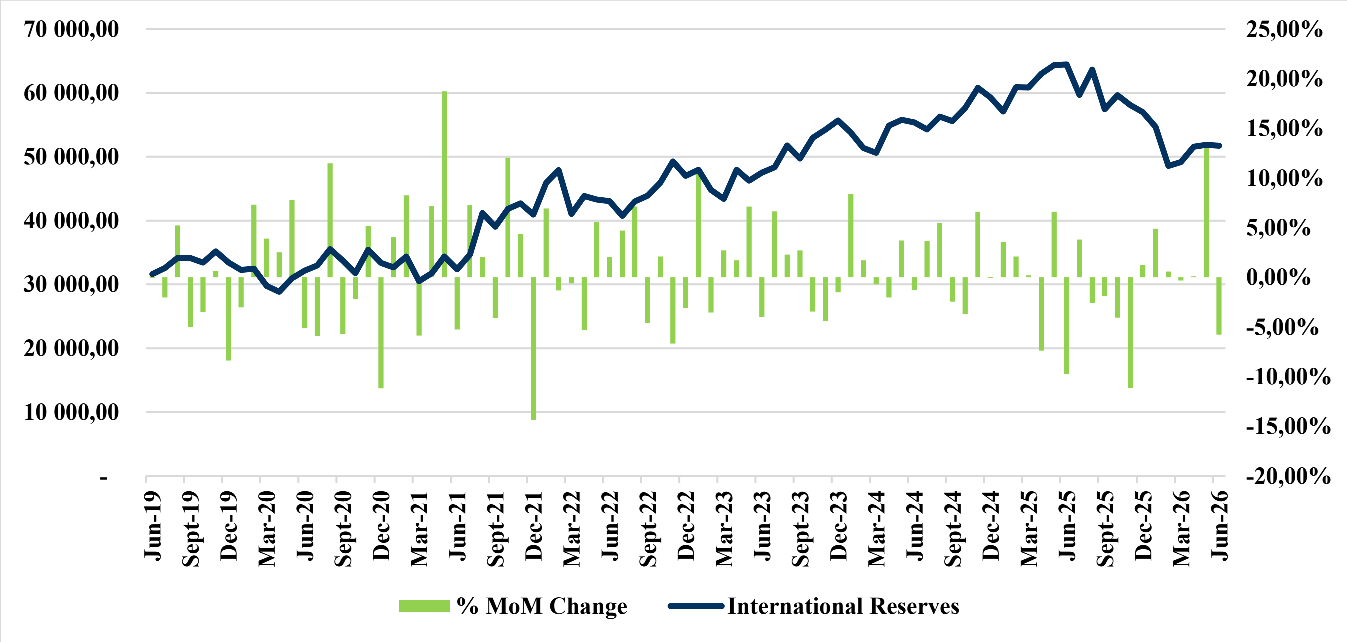
Figure 4: PSCE Annual Growth Rates (June 2021 – June 2026)



Source: BoN

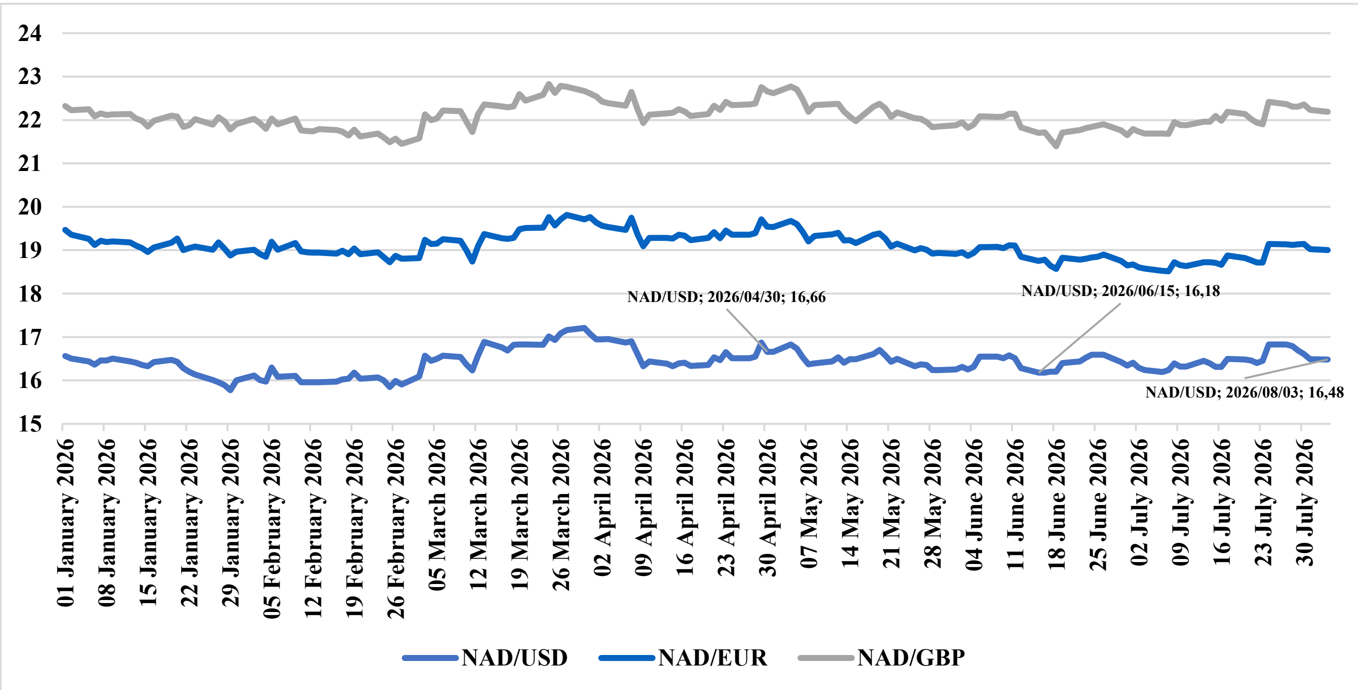
[1] Every other CMA country bar Namibia had an MPA in May

Figure 5: International Reserve Levels & Monthly Growth Rates (June 2019 – June 2026)



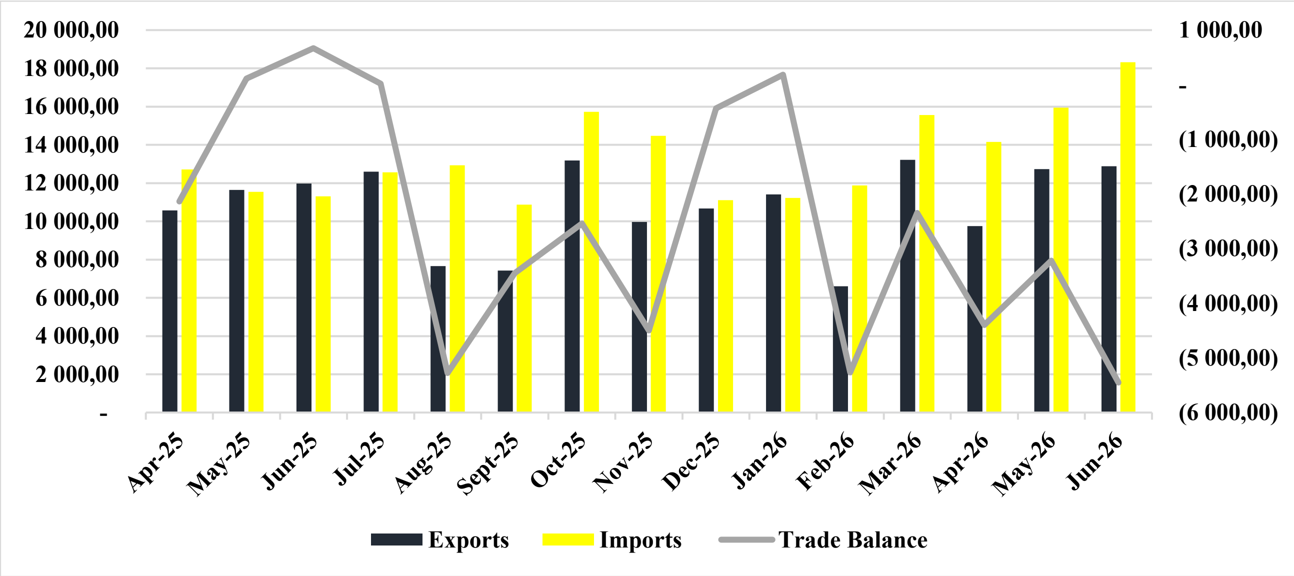
Source: BoN

Figure 6: Various Currencies vs NAD



Source: HEI Research

Figure 7: Trade Balance



Source: NSA