BoN MPC Meeting

October 2026

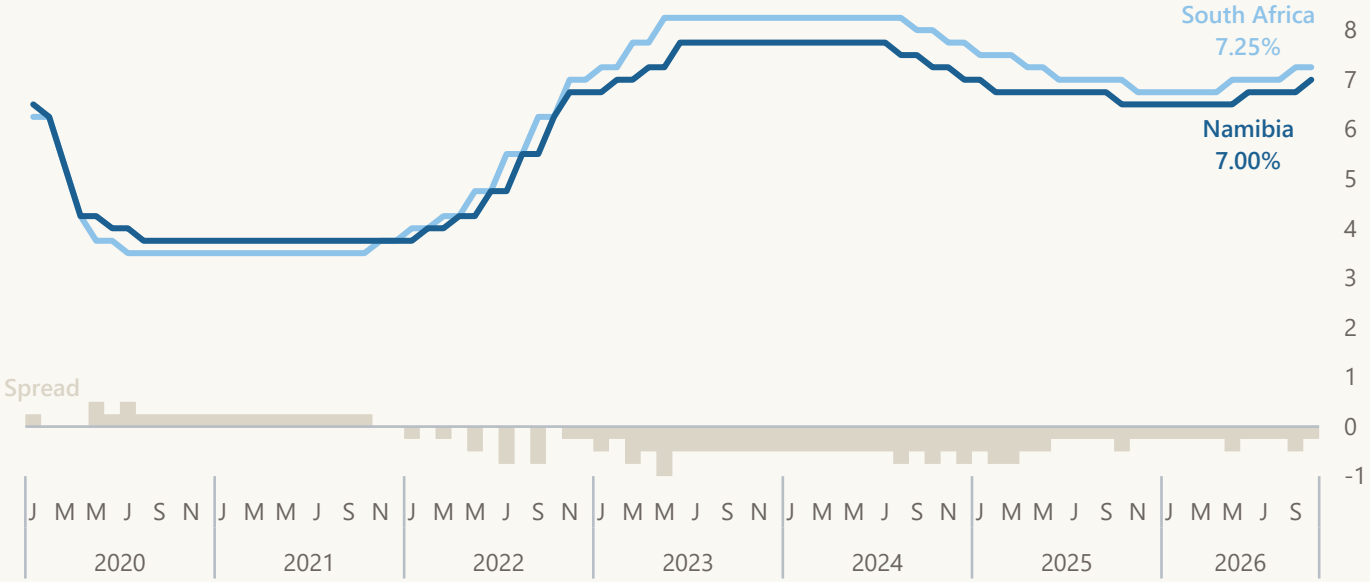
Key Focus Points

- **The MPC unanimously voted to raise the repo rate by 25bps to 7.00%.**
- As in August, the Bank of Namibia explicitly confirmed that the decision was unanimous.
- The BoN revised its inflation forecasts up to 4.2% for 2026 (+0.2 p.p.) and 4.0% for 2027 (+0.1 p.p.).
- International reserves rose to N$59.3bn at the end of September 2026 (end-July: N$58.0bn), translating to an import cover of 3.6 months.

The hike narrows the interest rate differential to South Africa from 50bps back to 25bps, after the SARB raised its repo rate to 7.25% in September. Unlike August, when the MPC acknowledged the case for closing the gap but chose to hold, the Committee this time acted on both the gap and inflation, explicitly citing the need to mitigate second-round effects from high fuel prices.

Namibia hikes to 7.00%, 25bps below South Africa

Repo rates, %



Source: Bank of Namibia, South African Reserve Bank, IJG Securities

Macro Backdrop

Global growth rose moderately on a year-on-year basis in Q2 2026 across most monitored economies, although the US, China and South Africa all slowed relative to the first quarter. On a quarter-on-quarter basis, momentum moderated as the energy price shock weighed more visibly on activity.

The IMF's October 2026 World Economic Outlook projects global growth to slow from 3.5% in 2025 to 3.1% in 2026 (July: 3.0%), before recovering to 3.4% in 2027 (unchanged). The marginal upgrade to 2026 suggests the global economy continues to absorb the supply shock somewhat better than feared, although risks remain tilted to the downside, with persistent geopolitical tensions, extreme weather events and fiscal vulnerabilities cited.

Commodity prices were mixed for Namibia's export basket since the August meeting. Uranium spot prices extended their gains on sustained clean-energy demand and supply concerns, while zinc and copper rose on strong industrial demand and tighter supply. Gold, however, fell over the period as markets priced in higher interest rates, a reversal from

the safe-haven gains seen last cycle. Rough diamond prices remained subdued under continued pressure from lab-grown stones.

The more consequential move was in oil. Brent crude surged to approximately USD116/bbl, the highest level in over six months and roughly 32% above the USD88/bbl cited at the August meeting, as tensions in the Middle East escalated again. Financial markets reversed August's optimism: most monitored stock markets recorded losses, with the S&P 500 down on a sell-off in technology stocks and the JSE All Share lower on inflation and tightening concerns, while global bond yields remained elevated.

Domestically, the BoN expects the economy to remain under pressure as previously identified risks have materialised, most notably the outbreak of Foot and Mouth Disease (FMD), which in August was still listed as a risk in neighbouring countries.

We note some tension in this characterisation. The BoN left its 2026 growth forecast unchanged even though FMD has moved from risk to reality, and private sector credit growth accelerated to 5.4% in August with both households and businesses borrowing more. That is not the profile of an economy under acute strain, and, as we argued in August, headline real GDP likely understates the strength of activity outside of mining.

The BoN still expects real GDP growth to improve from 1.7% in 2025 to 2.1% in 2026 (unchanged from August), with 2.8% now projected for 2027, driven by recoveries in agriculture and manufacturing. Subdued global growth prospects and potential El Niño conditions remain on the risk list, while FMD has shifted from a downside risk to a realised drag.

Namibia's merchandise trade deficit deteriorated sharply to N$33.5bn over the first eight months of 2026, from N$17.8bn in the same period of 2025, an 88% widening driven by a surge in imports, particularly mineral fuels. With Brent back above USD100/bbl, energy supply disruptions will continue to shape the deficit. International reserves nonetheless rose to N$59.3bn at the end of September 2026 from N$58.0bn at end-July (revised up from the preliminary N$57.1bn reported in August), supported mainly by monetary gold holdings and customer foreign currency placements. At 3.6 months of import cover, reserves remain sufficient to support the peg, but the increase came from gold holdings and placements rather than the trade account, which continues to drain foreign currency.

Inflation

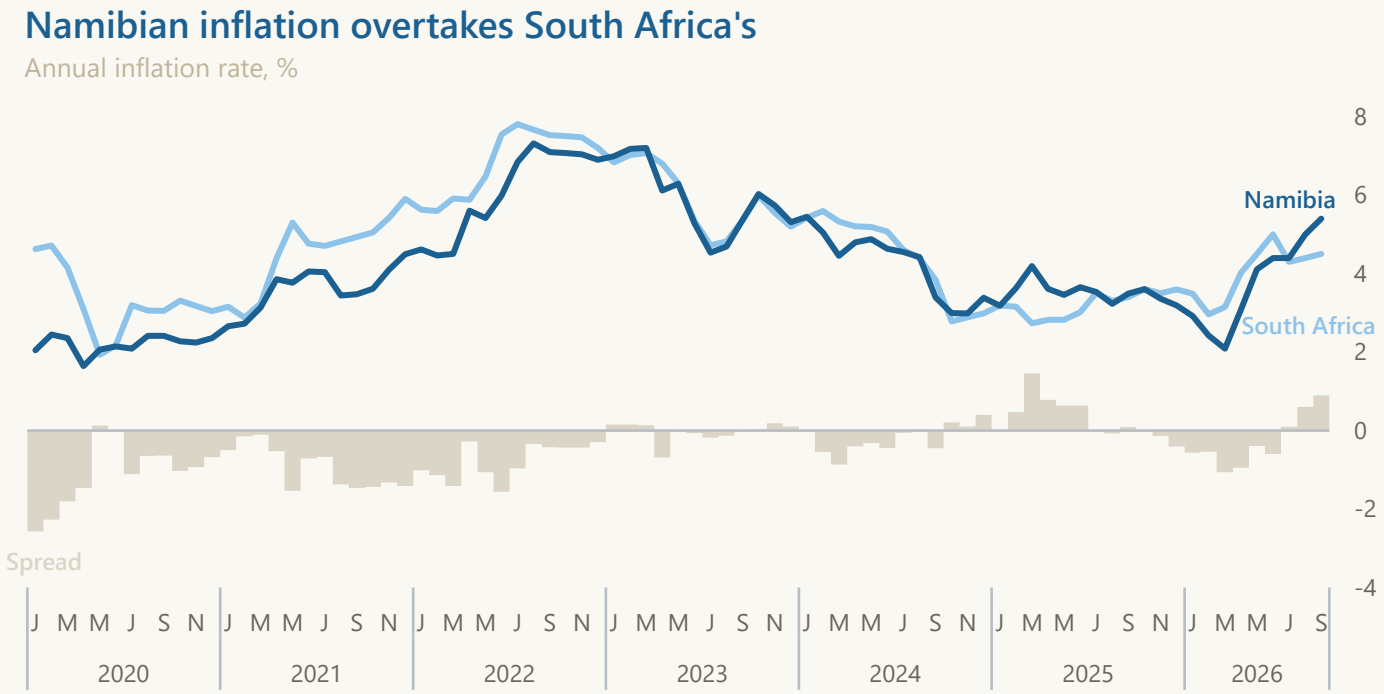
Inflation intensified across monitored economies since the August meeting on the back of the prolonged supply shock. The IMF now expects global headline inflation to rise from 4.1% in 2025 to 4.7% in 2026 (unchanged from July) before receding to 4.1% in 2027.

South Africa's inflation edged up to 4.5% in September 2026, from 4.3% in July and 4.4% in August, although it remains below June's 5.0%. The global policy response has turned decisively restrictive: the SARB, the US Federal Reserve, the European Central Bank and the Bank of Japan all raised rates at their most recent meetings, with only the central banks of the UK, China and Russia holding and Brazil cutting. This is a sharp shift from the broad pause seen in August. The Fed is widely expected to leave interest rates unchanged at 3.75% - 4.00% tonight, with markets assigning a 91% probability to a hold.

Namibian inflation has moved decisively higher. Headline inflation accelerated to 5.4% in September 2026, 1.0 p.p. above June's 4.4%, after rising to 5.0% in August. Over the first nine months of 2026 it averaged 3.8%, against 3.6% over the same period in 2025, with higher transport price inflation the main driver. Namibian inflation now sits 0.9 p.p. above South Africa's, the widest positive gap since March 2025. In August, we noted that second-round effects had not yet

clearly appeared but that higher fuel prices would feed through; the September print, and the BoN's explicit reference to second-round effects, suggest the Committee now sees that risk as material.

Even after this hike, the real repo rate (7.00% less September's 5.4% inflation) has compressed to about 1.6%, the lowest since May 2023 on our calculation, from 3.3% a year earlier.



Source: Namibia Statistics Agency, Statistics South Africa, IJG Securities

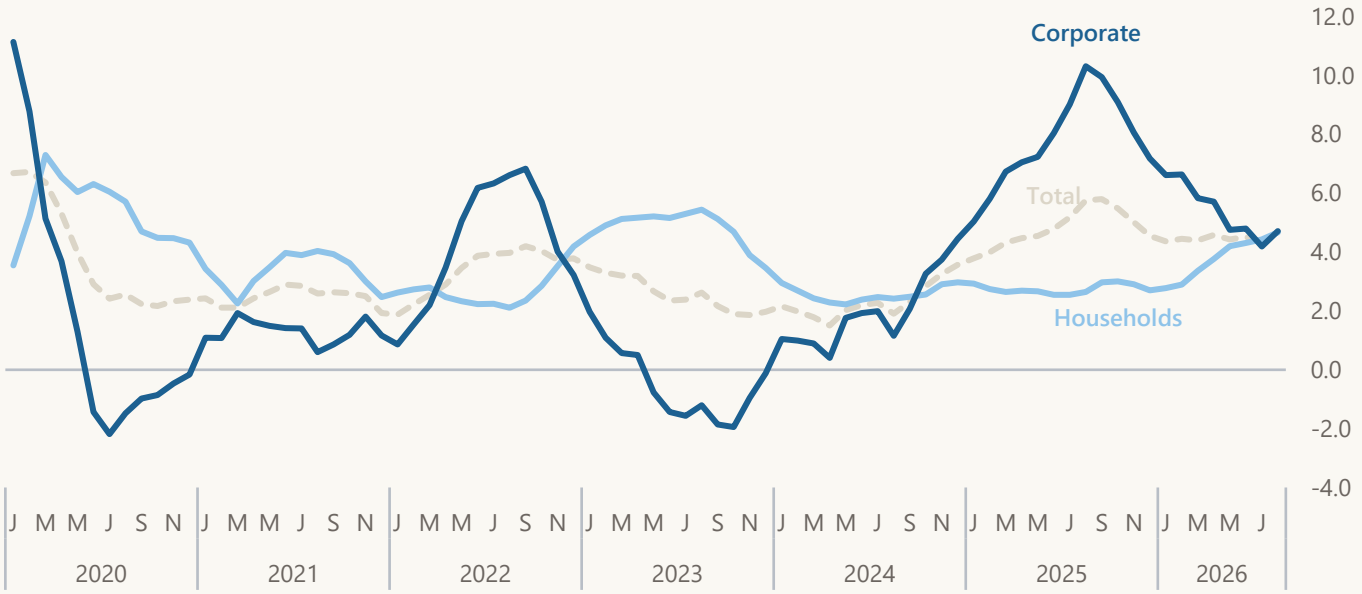
Private Sector Credit Extension

PSCE growth accelerated to 5.4% YoY in August 2026, 0.9 percentage points above the 4.5% recorded in June and cited at the August meeting. Unlike last cycle, when business credit slowed, the pickup was broad-based: household credit growth rose to 4.9% YoY (June: 4.5%), while corporate credit growth jumped to 6.0% (June: 4.5%). Over the first eight months of 2026, however, credit growth averaged 4.5%, below the 4.9% recorded over the same period in 2025.

Beneath the averages, the composition has rotated. Household credit growth averaged 4.1% over the first eight months (2025: 2.6%), while corporate credit growth averaged 5.2% (2025: 8.1%). On a three-month moving average basis, the two segments are now growing at almost exactly the same pace, around 4.7%.

Household and corporate credit growth now moving in step

Private sector credit extension, 3M MA annual growth, %

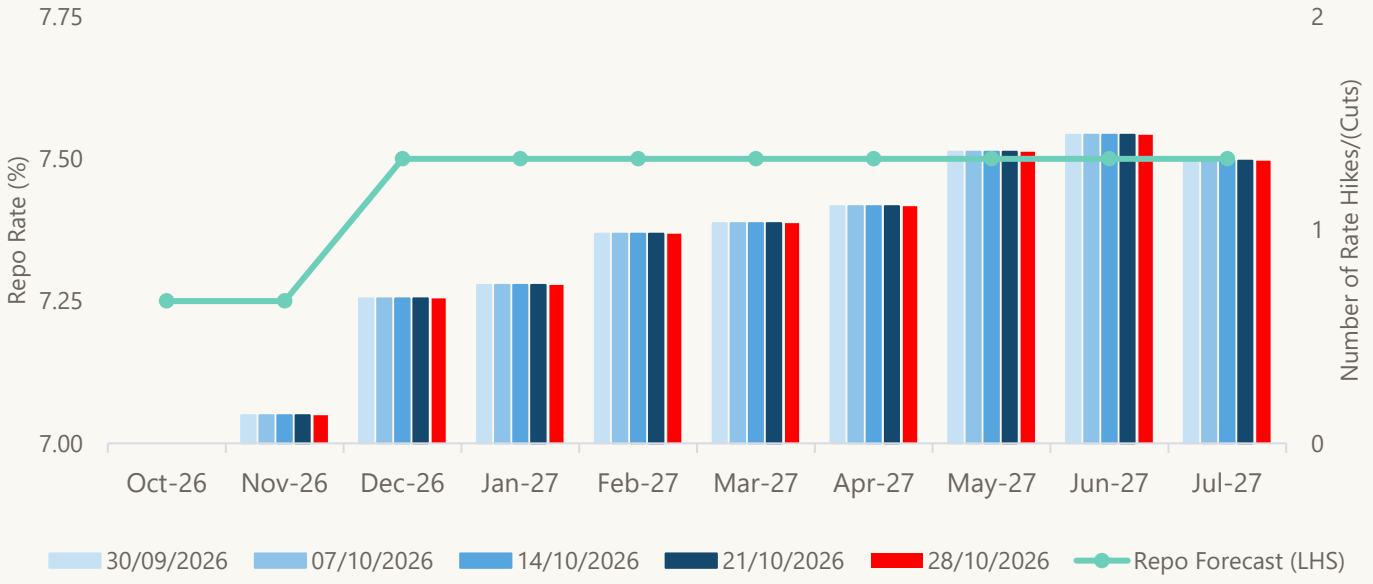


Source: Bank of Namibia, IJG Securities

Interest Rate Expectations

The current pricing of the Forward Rate Agreement (FRA) curve indicates that the market is pricing in one further 25bp rate hike in South Africa. That hike is largely priced by January 2027 and fully by February 2027, with only around a 13% chance of a move at the SARB's November meeting. A second hike is only partly priced, peaking at around 1.5 hikes by mid-2027 before easing. This is broadly consistent with the SARB's repo rate forecast, which shows a single further hike to 7.50% around the turn of the year and no change thereafter. The market leans slightly towards a later first hike and keeps some risk of a second.

Implied Probability of Rate Hikes/(Cuts) over time (SARB)



**The columns indicate the number of 25bp hikes expected for a given month as at the date indicated in the legend.*

Source: Bloomberg, IJG Securities

Our Take

The MPC's decision to raise the repo rate by 25bps to 7.00% narrows the interest rate differential to South Africa from 50bps back to 25bps, following the SARB's 25bp hike to 7.25% in September. Prime moves to 10.50%. The statement is explicit that reducing the gap to stem potential capital outflows and safeguard reserves was part of the rationale, alongside the need to mitigate second-round effects from high fuel prices.

The decision was unanimous, the second consecutive meeting at which the BoN has said so explicitly, after June's statement omitted any reference to the vote. In August the Committee was united around holding despite acknowledging the case for closing the gap; this time it was united around acting. We read the consistency as a committee comfortable with tracking the SARB, rather than one divided over how to defend the peg.

Notably, the BoN chose to reduce rather than close the gap to South Africa. With reserves at N$59.3bn and 3.6 months of import cover, the Committee judged a 25bp differential tolerable, as it has on several occasions since 2024. The harder constraint is now inflation: at 5.4%, Namibian inflation is above South Africa's, and the real repo rate has compressed to around 1.6% even after this hike.

With most major central banks now tightening and Brent at around USD116/bbl, the external backdrop has shifted decisively since August. The FRA curve prices a further SARB hike by January 2027. The BoN's path will almost certainly continue to track the SARB's, with timing dependent on oil prices, the Middle East conflict and whether second-round effects broaden in both countries' inflation data.

Given that the differential is back at 25bps, reserves remain sufficient to support the peg, we do not expect the BoN to hike again at its next meeting on 8 and 9 December 2026. The key risk to that view is a SARB hike in November, which would widen the gap back to 50bps and, with domestic inflation above 5%, would likely see the BoN follow immediately. Beyond December, we expect the BoN to match the SARB's next move, which the market currently places in January 2027.

Contact Us

Department	Email Address
General	info@ijg.net
Compliance	compliance@ijg.net
Finance	finance@ijg.net
Corporate Finance & Advisory	advisory@ijg.net
Money Market Transactions	instructions.wealth@ijg.net
Wealth Management	wealth@ijg.net
Stockbroking	dealing@ijg.net
Private Equity	privateequity@ijg.net
Research & Data	research@ijg.net
Unit Trusts	info@prescient-ijg.net

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