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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE SEPTEMBER 2026 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY GAINED FURTHER MOMENTUM DURING THE SECOND QUARTER OF 2026.

International economic and financial developments

- 1. Global GDP growth edged marginally lower in the second quarter of 2026, due to subdued economic activity in the US and China.** Global growth as proxied by year-on-year real GDP growth of the G-20 inched lower to 3.1 percent in the second quarter of 2026, down from 3.3 percent in the preceding quarter. In the United States, real GDP growth slowed to 2.2 percent in the second quarter of 2026, from 2.7 percent in the previous quarter, due to flat government spending and stronger import growth, which weighed on net exports. In contrast the Euro Area, United Kingdom and Japan recorded positive growth during the second quarter of 2026. Among the Emerging Market and Developing Economies (EMDEs), economic activity was mixed during the second quarter of 2026, with upticks in growth in Brazil and Russia but slowdowns in China and South Africa. Looking ahead, the global economy is expected to record subdued growth in 2026 before recovering in 2027, with significant downside risks stemming from the conflicts in the Middle East.
- 2. Global inflation picked up in the second quarter of 2026, prompting a number of central banks to start raising interest rates in order to curtail second-round inflation effects.** The conflicts in the Middle East resulted in strong increases in energy prices and higher inflation across most countries, with the global average headline inflation rate accelerating from 4.1 percent in the first quarter to 4.7 percent in the second quarter of 2026. Accordingly, the monetary policy of most of the monitored central banks, that was previously following an easing trajectory, paused in the second quarter and in some instances switched to tightening; this was followed by more tightening in the third quarter.

- 3. Global financial markets displayed mixed performances during the second quarter of 2026, on the back of the interplay between resilient corporate earnings on the one hand and inflation pressures, geopolitical tensions and fiscal concerns on the other.** Equity markets in most AEs recorded gains, supported by resilient corporate earnings and improved investor sentiment, while equity performances across EMDEs remained mixed despite policy support in some economies. The equity market in the US registered gains supported by a strong performance of the technology sector and robust corporate earnings. Global bond yields rose somewhat across most jurisdictions in the second quarter of 2026, reflecting persistent inflation concerns, fiscal pressures and geopolitical risks. In the foreign exchange market, the Rand appreciated modestly against the US dollar during the quarter under review as the demand for Rand-denominated assets increased.

Domestic economic developments

- 4. During the second quarter of 2026, growth in the domestic economy strengthened markedly, driven mainly by the tertiary industry.** The year-on-year real growth rate accelerated to 4.8 percent in the second quarter of 2026 from 3.1 percent in the preceding quarter and 1.7 percent in the second quarter of 2025. The improved performance in the second quarter of 2026 was mainly on account of the tertiary industries, particularly health, wholesale and retail trade, information and communication, and financial services. Among the primary industries, agriculture maintained exceptionally robust growth, boosted by favourable rainfall and a recovery in the national herd, with fishing activity also expanding, although growth in mining output remained in negative territory. Activity in the secondary industry slowed, reflecting declines in construction, which more than offset moderate growth in manufacturing output as diamond cutting and polishing recovered. On the demand side, real fixed capital formation expanded at a double-digit pace while both government and household consumption expenditure also registered firm growth in the second quarter of 2026.
- 5. Namibia's annual inflation increased both quarter-on-quarter and year-on-year during the second quarter of 2026, mainly driven by transport inflation.** Headline inflation rose to an average of 3.9 percent during the quarter under review, from 2.5 percent registered in the preceding quarter. The quarterly increase was primarily due to rapidly rising transport costs, given the rise in oil prices, which pushed fuel pump prices higher and also filtered through to the transportation costs of food and products in general. Similarly, overall inflation rose to 5.0 percent in August 2026 from 4.4 percent in July 2026, predominantly driven by a rise in transport inflation, which posted the highest figure since January 2024.

6. Annual growth in broad money supply rose in the second quarter of 2026, underpinned by an increase in domestic claims, while private sector credit extension increased.

Annual growth in the broad money supply (M2) rose to 11.5 percent in the second quarter of 2026, compared to 7.9 percent in the previous quarter, due to robust growth in domestic claims, emanating primarily from an increase in net claims on central government. Private sector credit extension (PSCE) increased to 4.5 percent during the second quarter of 2026 from 4.3 percent in the previous quarter. This growth reflects improved credit demand, due to higher household and corporate sector borrowing, particularly in the form of overdraft lending. Additionally, edged higher following the Bank of Namibia's raising of the Repo rate in June 2026. Moreover, the overall cash holdings of commercial banks surged during the period under review, driven by diamond sale proceeds, government expenditure and investment flows compared with the previous quarter.

7. On the fiscal front, the Central Government's debt stock rose on an annual basis through the fiscal year ending in June 2026, while loan guarantees declined over the same period.

In nominal terms, the total Government debt stock reached N\$181.9 billion at the end of June 2026, representing an annual growth of 6.1 percent, primarily driven by increased issuance of Treasury Bills (TBs) and Internal Registered Stock (IRS). In contrast, the central government's external debt declined over the same period, due to principal repayments on bilateral and multilateral loans coupled with the appreciation of the US Dollar. As a percentage of GDP, the Government debt stock stood at 65.1 percent at the end of June 2026, higher than the 63.9 percent registered during the corresponding quarter in the previous fiscal year. Going forward, the total debt stock is further projected to average around 67.0 percent of GDP throughout the MTEF period. Contrastingly, total Central Government loan guarantees as a percentage of GDP declined by 0.6 percentage point year-on-year to 2.5 percent in the quarter under review. At this ratio, total loan guarantees remained significantly below the Government's set ceiling of 10.0 percent of GDP, indicating low contingency liability risk.

8. Namibia's external sector indicators deteriorated, as the deficit on the current account widened, whereas the stock of foreign reserves rose during the second quarter of 2026.

The current account recorded a higher deficit of N\$12.1 billion, up from N\$10.7 billion and N\$5.3 billion recorded in the preceding quarter and the corresponding quarter of 2025, respectively. This was primarily due to a widening merchandise trade balance along with higher services payments during the period under review. The stock of foreign reserves increased by 9.0 percent quarterly and stood at N\$56.4 billion at the end of June 2026. This translated into an estimated import cover of 3.5 months at the end of June 2026, up from 3.2 months in March 2026 or 3.9 months excluding imports related to oil exploration and appraisal activities,

remaining above the international benchmark of three months. Reserves further increased to N\$58.5 billion at the end of August 2026, mainly driven by net ZAR inflows from commercial banks and Customer Foreign Currencies placements during the month. Additionally, the Real Effective Exchange Rate (REER) appreciated by 4.1 percent on a yearly basis, due to higher domestic inflation relative to trading partners, indicating a moderate decline in trade competitiveness of Namibian products in international markets.

The media and the public at large are encouraged to read the full Quarterly Bulletin, which can be accessed at: <https://www.bon.com.na/Publications/Quarterly-Bulletins/Quarterly-Bulletins-Publication.aspx>

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