

# MEDIA STATEMENT



Bank of Namibia

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**THE NAMIBIAN FINANCIAL SYSTEM REMAINS STABLE, SOUND AND RESILIENT, AMIDST HEIGHTENED GLOBAL MACROFINANCIAL UNCERTAINTIES.**

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*On the 20<sup>th</sup> of November 2025, the Macprudential Oversight Committee (MOC)<sup>1</sup> of the Bank of Namibia (the Bank) convened its second meeting of the year to assess potential risks and vulnerabilities in the financial system. After a thorough assessment of the global and domestic macro-financial developments and its potential impact on domestic financial stability, the Committee concluded that the domestic financial system remains sound and stable, and it continues to operate without disruptions. Both the banking and non-banking financial sectors remained sound and well capitalised with sufficient levels of capital and liquidity buffers to absorb any potential losses. In addition, the payment infrastructure and operations remained efficient. The Committee maintains that ongoing regulatory initiatives are expected to continue enhancing resilience and support the stability of the financial sector. The MOC further reaffirms its commitment to closely monitor developments from both the global and domestic markets that may affect the safety and soundness of the Namibian financial system, and to intervene where necessary.*

## **RECENT FINANCIAL STABILITY DEVELOPMENTS**

**The Bank's MOC, at its second meeting of the year, held on the 20<sup>th</sup> of November 2025, conducted a comprehensive assessment of both global and domestic**

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<sup>1</sup> The Bank of Namibia Act 1 of 2020 provides the Bank of Namibia with the responsibility of macroprudential oversight and the coordination of activities to safeguard the financial stability. The Macprudential Oversight Committee (MOC), an internal committee at the Bank, was established to support the Bank in implementing the macroprudential mandate and exercise the macroprudential decision-making powers entrusted to the Bank.

**economic and financial developments, with a specific focus on potential vulnerabilities and risks within the Namibian financial system.**

- 1. Since the last meeting in July 2025, the global financial system has demonstrated resilience, although global economic and trade policy uncertainty remain elevated.** The global economy has continued to demonstrate resilience, with global financial market volatility declining since its peak in April 2025. Financial conditions have broadly eased, supported by accommodative monetary policy stances across major Advanced Economies, while asset valuations are significantly higher than historical norms, especially in the United States (US). Despite the easing financial conditions, the global economy remains vulnerable to persistent trade and economic policy uncertainty, as well as the ongoing geopolitical tensions. Moreover, structural challenges and concerns about rising sovereign indebtedness have also intensified in several economies and continue to weigh on medium-term economic prospects. Going forward, the global economy is projected to moderate to 3.2 percent and 3.1 percent in 2025 and 2026, respectively, from the 3.3 percent recorded in 2024.
- 2. Namibia's real GDP is projected to decelerate during 2025 before rebounding in 2026.** Real GDP growth is projected to marginally slow to 3.5 percent in 2025, before rebounding to 3.9 percent in 2026. The decline in growth for 2025 is mainly on the back of a contraction in the livestock agricultural subsector, which continues to be adversely affected by the drought conditions experienced in 2024. In addition, the diamond mining sector is expected to continue its decline, reflecting weak global demand, the imposition of trade tariffs, and rising competition from lab-grown diamond alternatives. The downside risk to the domestic economic outlook remains, including potential trade disruptions and inflationary pressure resulting from ongoing global economic policy uncertainties and geopolitical conflicts. Moreover, weaker diamond export earnings are expected to weigh on the domestic economy; however, this could be partly offset by stronger performances in uranium and gold exports, which continue to provide positive momentum amid subdued conditions in the diamond market.

- 3. The banking sector remained well capitalised, profitable and liquid during the third quarter of 2025.** Total assets of the banking sector increased by 3.1 percent to N\$184.7 billion in the third quarter of 2025. The increase was primarily driven by the growth in the net loans and advances of the banking sector, supported by the increase in short-term negotiable securities. In terms of profitability, the return-on-assets (ROA) remained unchanged, while the return-on-equity (ROE) increased from 19.8 percent to 20.0 percent, mainly due to an increase in net-interest and net-trading incomes. The total risk-weighted capital ratio declined from 18.1 percent during the second quarter of 2025 to 16.6 percent during the third quarter of 2025, mainly due to dividend payments. Despite this decline, the level of capital remained above the prudential requirement of 12.5 percent. The banking sector also held a sufficient level of liquidity as the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remained comfortably above the minimum requirements during the third quarter of 2025. The banking sector asset quality continues to improve as the NPL ratio declined from 4.9 percent in the second quarter of 2025 to 4.8 percent in the third quarter of 2025, however it remained above pre-pandemic levels. The improvement in the NPLs was mainly observed in the mortgage loans category, following significant write-offs and recoveries.
- 4. The non-bank financial institutions (NBFI) subsector remained sound and resilient through the third quarter of 2025, supported by favourable financial market conditions.** During this period, global equity markets delivered strong returns, while credit spreads tightened and inflation remained contained, creating a supportive backdrop for investment portfolio valuations, given that NBFI assets are largely exposed to financial markets. Both the retirement fund and long-term insurance subsectors maintained allocations exceeding 60 percent of assets in equities and bonds, which contributed to investment returns that outpaced domestic inflation during the quarter. The persistent gap between benefits paid and contributions in retirement funds continued to be absorbed through positive investment

income, supported by the quarter's strong asset returns. Collective investment schemes maintained their significant role as liquidity sources in the financial system, with accelerating net inflows reinforcing the subsector's stability.

- 5. Risks in the Namibian property market remained well contained during the third quarter of 2025.** The key vulnerabilities in the property market persist, particularly the continued weakness in the demand for mortgage credit, mainly due to affordability constraints amid high unemployment rates. In this regard, corporate mortgage lending continued to contract during the third quarter of 2025, while the household mortgage credit category showed a modest improvement. Although registering growth, household mortgage credit growth remains below its historical long-term average. Moreover, the house price index and rental price continue to be elevated. Despite ongoing vulnerabilities, the banking sector equity position remains positive. Going forward, the property market is expected to benefit from the current easing of monetary policy, fiscal policy measures such as increased subsidies, new housing market funding strategies through the government pension fund, alongside the current regulatory efforts aimed at stimulating the sector.
- 6. Namibia's interbank and settlement system (NISS) operated efficiently during the review period.** During the third quarter of 2025, the national payment system remained well-functioning and stable, supporting not only the financial sector but the broader economy and society. The NISS operated efficiently with no material interruptions recorded while the bulk of the payment obligations were settled within the early settlement windows, thereby deterring settlement risk.

## **MACROPRUDENTIAL POLICY STANCE**

- 7. Considering the above assessment, the MOC concluded that the financial system remains sound, stable and resilient despite the prevailing macroeconomic conditions.** In this regard, the MOC concluded

that no additional macroprudential policy intervention is required at this stage. The current active macroprudential policy measure, alongside existing microprudential regulation and ongoing supervisory measures, are considered sufficient for the current macro-financial environment. The Committee will continue to closely monitor both the global and domestic economic and financial conditions and stand ready to deploy appropriate macroprudential policy measures should conditions warrant a policy response.

Issued by:



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