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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA RELEASES THE MARCH 2026 QUARTERLY BULLETIN

DOMESTIC ECONOMIC ACTIVITY CONTRACTED SLIGHTLY DURING THE FOURTH QUARTER (OCTOBER – DECEMBER) OF 2025.

International economic and financial developments

- 1. Global GDP growth slowed in the fourth quarter of 2025, due to restrictive financial conditions and heightened policy uncertainty.** Global growth as proxied by year-on-year real GDP growth of the G-20 edged lower to 3.2 percent in the fourth quarter of 2025, up from 3.5 percent in the preceding quarter. In the United States, real GDP edged lower to 2.2 percent in the fourth quarter of 2025, from 2.3 percent in the previous quarter. The Euro Area recorded growth of 1.3 percent, down slightly from 1.4 percent in the previous quarter, due to subdued external demand and the continued weakness in the manufacturing sector of Germany. Among the Emerging Market and Developing Economies (EMDEs), real GDP growth slowed across most countries during the fourth quarter of 2025, such as in India reflecting slower government expenditure and a moderation in investment. Growth also slowed in China, weighed down by retail sales which grew at their slowest rate in three years, a prolonged property market slump and deflationary pressures. In South Africa growth also slowed due to subdued performances of the manufacturing and mining sectors. Brazil was the only economy that registered a steady growth rate of 1.8 percent during the fourth quarter relative to the preceding quarter supported by oil and gas as well as utilities. Looking ahead, the global economy is expected to record a steady growth in 2026 before easing in 2027, with downside risks stemming reevaluation of productivity growth expectations about AI which could lead to a decline in investment and trigger an abrupt financial market correction, spreading from AI-linked companies to other segments and eroding household wealth. Trade tensions could flare up, prolonging uncertainty and weighing more heavily on activity. On the upside, global growth could be lifted by a sustained easing in trade tensions.

2. Global financial markets remained resilient in the fourth quarter of 2025, underpinned by evolving monetary policy expectations and strong corporate earnings. Equity markets in advanced economies, particularly the United States and the Euro Area, posted robust year-on-year gains, reinforced by resilient corporate earnings and optimism regarding inflation and prospective policy easing in 2026. Bond yields were strong, with the US 10-year yield increasing by 40 basis points to 4.10 percent during the quarter under review driven by growing concerns over the widening US fiscal deficit. In emerging market and developing economies (EMDEs), including South Africa and China bond yields declined in the fourth quarter of 2025, supported by monetary policy easing and easing inflationary pressures. In the foreign exchange market, the Rand appreciated against the US Dollar, reflecting an improving fiscal environment and lower inflation expectations in South Africa. However, the generally benign trends in financial markets were abruptly reversed by the war in the Middle East that started on 28 February 2026.

Domestic economic developments

3. During the fourth quarter of 2025 growth in the domestic economy contracted slightly, driven predominantly by declines in diamond production and weaker manufacturing output. In nominal terms, the size of the Namibian economy was estimated at N\$72.0 billion, an expansion of N\$5.2 billion compared to the N\$66.7 billion recorded in the corresponding quarter of 2024. The year-on-year real growth contracted by 0.5 percent in the fourth quarter of 2025 compared to a 2.6 percent and 4.2 percent in the preceding quarter and corresponding quarter of 2024. The weaknesses were observed in the primary industry, with significant declines registered in diamond production and livestock marketing while gold and zinc concentrate production receded over the same period. The secondary sector showed mixed performances, with construction and electricity output rising briskly but manufacturing contracting on account of lower production of non-ferrous metals, cut and polished diamonds and cement. The tertiary industries at the same time recorded a sturdy performance, particularly the wholesale and retail trade, health, tourism, and information and communication sectors. On the expenditure side, growth was supported by higher government spending and exports, while private consumption, investment, and imports declined.

4. Namibia's annual inflation remained unchanged quarter-on-quarter and increased marginally on a year-on-year basis during the fourth quarter of 2025, mainly driven by transport inflation. Headline inflation remained at 3.4 percent during the quarter under review, unchanged from the preceding quarter as lower food inflation was offset by higher transport

and housing inflation. On an annual basis, headline inflation slowed marginally by 0.3 percentage point from 3.7 percent registered in the corresponding quarter of 2024 mainly due to lower food inflation. Lately, overall inflation eased to 2.4 percent in February 2026, compared to 2.9 percent in January 2026, owing to a decline in transport inflation and food and non-alcoholic beverages. Going forward, overall inflation was previously projected to average 3.5 percent in 2026 and 3.4 percent in 2027, but the latest oil price and exchange rate developments points to the need for revision.

5. Annual growth in broad money supply slowed in the fourth quarter of 2025, underpinned by slow economic activity, whilst private sector credit extension remained subdued.

The slower growth in broad money supply (M2) during the quarter under review was largely due to a deceleration in income as real GDP contracted while inflation slowed. Growth in private sector credit extension (PSCE) slowed compared to the previous quarter, reflected in mortgage credit, which remained in negative territory. It was further exacerbated by net repayments of overdrafts by businesses in the mining, telecommunications and wholesale and retail sale sectors. Additionally, money market rates remained lower relative to the same period in 2024, consistent with the easier monetary policy conditions. Moreover, the overall cash holdings of commercial banks declined, due to the drop in diamond sales during the quarter under review.

6. On the fiscal front, Central Government's debt stock rose on an annual basis over the year to the end of December 2025, while loan guarantees declined over the same period.

In nominal terms, the total Government debt stock reached N\$172.7 billion at the end of December 2025, representing annual growth of 5.4 percent, primarily driven by increased issuance of Treasury Bills (TBs) and Internal Registered Stock (IRS). In contrast, the Central Government external debt registered a modest decline over the same period, due to the redemption of the Eurobond and other foreign debt. As a percentage of GDP, the government debt stock stood at 64.0 percent at the end of December 2025, representing a yearly increase of 0.2 percentage point, from a year earlier, remaining above the SADC benchmark of 60 percent of GDP. Contrastingly, total central government loan guarantees as a percentage of GDP declined by 14.6 percent year-on-year to N\$7.6 billion ascribed to repayments of domestic loans, which were guaranteed for state-owned institutions in the energy and agriculture sector 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.

7. Namibia's external sector indicators were impacted by the redemption of the Eurobond, leading to a further decline in the stock of foreign reserves during the

fourth quarter of 2025. The current account registered a smaller deficit of N\$10.1 billion in the final quarter of 2025, from N\$12.3 billion in the same quarter a year earlier, as gold and uranium export receipts improved. In general, commodity prices of export interest to Namibia performed well (with the exception of diamonds) during the quarter under review. The price of copper, gold and zinc increased year-on-year, and quarter-on-quarter, during the period under review. Diamond prices on the other hand decreased in the fourth quarter of 2025 stemming from continued weakness caused by subdued demand, particularly in China, ongoing competition from synthetic diamonds and elevated midstream inventories. The price of uranium increased annually and on a quarterly basis during the fourth quarter of 2025, supported by vibrant demand for nuclear power in the market. The increases in the prices of copper, uranium, gold and zinc augur well for Namibia's foreign exchange earnings and tax revenue. The increases in the prices of copper, uranium, gold and zinc however augur well for Namibia's foreign exchange earnings and tax revenue. The stock of foreign reserves declined to stand at N\$51.6 billion December 2025 from N\$54.7 billion registered at the end of the preceding quarter. This translated into an estimated import cover of 3.3 months (or 3.8 months excluding oil exploration and appraisal-related expenditures, which are largely externally funded). Reserves amounted to N\$51.7 billion at the end of February 2026. Furthermore, Namibia's external balance sheet reflected a net asset position at the end of 2025, driven by an increase in gross foreign assets relative to foreign liabilities. Additionally, the Real Effective Exchange Rate (REER) appreciated by 0.5 percent on a yearly basis, 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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