# MEDIA STATEMENT

Bank of Namibia

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FOR IMMEDIATE RELEASE

## BANK OF NAMIBIA RELEASES THE JUNE 2026 QUARTERLY BULLETIN

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## DOMESTIC ECONOMIC ACTIVITY PICKED UP DURING THE FIRST QUARTER (JANUARY – MARCH) OF 2026.

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### International economic and financial developments

1. **Global real GDP displayed steady but moderate growth in the first quarter of 2026, with Emerging Market and Developing Economies (EMDEs), particularly India and China, continuing to outperform the Advanced Economies (AEs).** Economic activity in some of the AEs rose, led by the US, on the back of private investment, consumption and government expenditure. In India, economic growth remained robust, driven by the manufacturing and services sectors as well as government spending. Likewise, economic activity in China was strong on the back of a surge in exports, sturdy high-tech manufacturing, and state-led infrastructure investment, which offset persistent weaknesses in domestic consumer demand and the property sector.

2. **Global GDP growth is projected to ease in 2026 compared to 2025.** World output growth is projected to slow to 3.1 percent in 2026 from 3.4 percent in 2025, before edging up slightly to 3.2 percent in 2027. The expected softer growth in 2026 spans both AEs and EMDEs. The softer outlook reflects the impact of heightened geopolitical tensions, particularly the conflict in the Middle East and trade fragmentation. Nonetheless, economic activity continues to be supported by resilient labour markets, ongoing technology-related investment, and policy support in some economies. Downside risks to the outlook remain, including more prolonged geopolitical tensions and financial tightening.

3. **Global equity markets in several advanced economies declined during the first quarter of 2026, reversing the gains recorded in late 2025 as geopolitical tensions intensified and**

**inflation concerns resurfaced.** In the United States, the S&P 500 declined, reflecting the impact of the conflict in the Middle East. Similarly, Germany's DAX index fell due to elevated geopolitical risks, renewed inflationary pressures stemming from higher oil prices, weak manufacturing activity, and increased investor risk aversion. In contrast, the UK's FTSE All-Share Index recorded a positive performance, supported by the relatively large weighting of the energy sector and a weaker pound, which benefited export-oriented companies. Meanwhile, Japan's Nikkei 225 index also posted gains, underpinned by improved corporate earnings, accommodative monetary policy, and a weaker yen that boosted export-oriented sectors.

4. **Meanwhile, longer-term bond yields in advanced economies increased during the first quarter of 2026, reflecting renewed inflationary pressures as well as heightened geopolitical tensions, and changing expectations for monetary policy.** Yields rose across major advanced economies, including the United States, the Euro Area, the United Kingdom, and Japan, driven by higher inflation expectations, fiscal concerns, increased government bond issuance, and expectations of continued monetary policy normalisation, particularly in Japan.

**Domestic economic developments**

5. **During the first quarter of 2026, domestic economic activity registered its eighteenth consecutive positive value since the second quarter of 2021 and picked up from its low growth in the final quarter of 2025.** In nominal terms, the size of the Namibian economy was estimated at N$70.9 billion, an expansion of N$4.7 billion compared to the N$66.2 billion recorded in the corresponding quarter of 2025. Having maintained positive growth since the second quarter of 2021, the rate of growth picked up to 2.0 percent from 0.1 percent in the final quarter of 2025. The positive growth performance was largely driven by the tertiary industries, particularly wholesale and retail trade, financial services, health, education, and public administration. In the primary sector, agriculture performed strongly, supported by favourable rainfall, with fishing also growing briskly while mining activity weakened. The secondary sector remained subdued, reflecting a contraction in manufacturing despite positive growth in construction and electricity generation. On the demand side, government consumption continued to support economic activity, while investment recovered, driven by increased spending on machinery, transport equipment, and construction. Although exports increased during the quarter, faster growth in imports resulted in a wider trade deficit.

6. **Namibia’s inflation eased in the first quarter of 2026, driven by decelerations in food and transport inflation.** Headline inflation decelerated to 2.5 percent during the quarter under review, from 3.7 percent registered in the preceding quarter. The moderation was primarily due to lower

food and transport costs, supported by favourable weather conditions and increased global oil supply with reduced freight and insurance costs. On an annual basis, overall inflation eased further by 1.2 percentage points from 3.4 percent registered in the corresponding quarter of 2025. Meanwhile, overall inflation accelerated to 3.1 percent in April 2026 and further to 4.1 percent in May 2026, compared with 2.1 percent in March 2026, mainly due to a rise in transport inflation, driven by surging fuel prices following the war in Iran. Going forward, overall inflation is projected to average 4.0 percent in 2026 and 3.6 percent in 2027.

7. **Growth in broad money supply rose during the first quarter of 2026 relative to the fourth quarter of 2025, whilst private sector credit extension slowed further.** The higher growth in broad money supply (M2) was sustained by the robust growth in domestic claims, whose growth remained in double-digits for the second consecutive quarter, emanating specifically from an increase in net claims on the central government. Conversely, growth in credit to the private sector slowed further in the first quarter of 2026 compared to the previous quarter. This was primarily driven by lower credit uptake by businesses, reflecting reduced credit demand and higher repayments. Meanwhile, the overall cash holdings of commercial banks increased, largely due to diamond sale proceeds and end-of-the –fiscal-year spending by the Government.

8. **On the fiscal front, Central Government debt rose, while loan guarantees declined over the year to the end of March 2026.** The total Government debt stock reached N$178.4 billion at the end of March 2026, representing annual growth of 7.0 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 the redemption of the Eurobond and other foreign debt repayments. As a percentage of GDP, the government debt stock amounted to 65.0 percent at the end of March 2026, representing a 0.1 percentage-point increase from a year earlier and remaining above the SADC benchmark of 60 percent of GDP. Total central government loan guarantees declined by 19.0 percent year-on-year to N$7.0 billion over the same period, due to repayments of domestic loans guaranteed for state-owned institutions in the energy, transport and agriculture sectors. At 2.6 percent of GDP, total loan guarantees remained significantly below the set maximum of 10 percent, thereby indicating low contingency liability risk.

9. **On the external sector front, Namibia’s current account deficit narrowed during the first quarter of 2026, reflecting lower services payments and reduced net investment income outflows.** The current account deficit narrowed to N$9.9 billion, from N$10.6 billion in the preceding quarter and N$13.4 billion in the corresponding quarter of 2025, mainly reflecting lower services payments and reduced net investment income outflows. As a percentage of quarterly GDP, the current account deficit declined to 14.0 percent in the first quarter of 2026, from 14.8 percent in the preceding quarter and 20.3 percent in the corresponding quarter of

2025. Meanwhile, the stock of international reserves increased marginally, quarter-on-quarter, by 0.4 percent to N$51.8 billion at the end of March 2026, supported mainly by CFC placements by commercial banks. This translated into an estimated import cover of 3.2 months. By the end of May 2026, international reserves had risen further to N$55.4 billion, driven largely by SACU inflows, revaluation gains, and the monetisation of gold, resulting in improved import cover to 3.5 months. Namibia's external balance sheet remained in a net asset position at the end of March 2026; although the position weakened relative to the preceding quarter, the country's external position continued to reflect resilience. Additionally, the Real Effective Exchange Rate appreciated by 3.8 percent on a yearly basis, suggesting a relative loss of trade competitiveness for 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

Issued by:

**Mr. Kazembire Zemburuka**

**Director: Strategic Communications and International Relations, Bank of Namibia**

**Tel: (061) 283 5114, Fax: (061) 283 5546 or email: info@bon.com.na**