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FOR IMMEDIATE RELEASE

BANK OF NAMIBIA ENGAGES OFFICE OF THE PRESIDENT ON KEY ECONOMIC DEVELOPMENTS AND STRATEGIC FINANCIAL SECTOR REFORMS

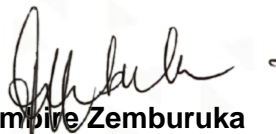
1. This week, the Governor of the Bank of Namibia, Mr. Johannes !Gawaxab, accompanied by Deputy Governors, Ms. Leonie Dunn and Mr. Ebson Uanguta, met with Her Excellency President of the Republic of Namibia, H.E. Dr. Netumbo Nandi-Ndaitwah, as part of the Bank's annual statutory engagement. The meeting served as a platform to provide a comprehensive overview of recent economic developments and highlight the Bank's key strategic initiatives supporting economic transformation and inclusive growth.
2. During the engagement, the Bank of Namibia provided an update on the performance of the domestic economy, noting that real gross domestic product (GDP) growth slightly moderated to 3.1 percent in the fourth quarter of 2024, compared to 3.2 percent in the preceding quarter. Nevertheless, the Namibian economy maintained a positive growth trajectory in the first quarter of 2025, largely supported by strong performance in the mining sector, particularly uranium, gold and zinc, as well as notable gains in construction, wholesale and retail trade, communication and tourism. According to the April 2025 Economic Outlook, the domestic economy is projected to grow by 3.8 percent and 4.0 percent in 2025 and 2026, respectively, from a 3.7 percent estimated in 2024. The latest projections for 2025 and 2026 reflect a downward revision of 0.2 and 0.5 percentage points from projections published in the December 2024 Economic Outlook update, reflecting heightened uncertainty emanating from global trade policy shifts.
3. "Inflation accelerated to 4.2 percent in March 2025, largely driven by increases in food, alcoholic beverages, transport, and housing prices," said the Governor. "Looking ahead, we have revised our average inflation forecasts for 2025 and 2026 upwards to 4.2 and 4.5 percent, respectively. At the same time, our foreign reserves declined by 5.2 percent quarter-on-quarter to N\$59.7 billion, with the import cover currently estimated at 3.9 months, or 5.2 months when excluding oil and gas-related imports financed externally."

4. The Governor raised concerns about the broader implications of the tariffs recently imposed by the United States, noting that while Namibia's direct exports to the U.S. remain relatively limited, "the impact on our economy is far from insignificant." He explained that these tariffs risk undermining the competitiveness of Namibian goods and disrupting global value chains, particularly as key trading partners such as China, the European Union, and South Africa are also affected. He further added that this could potentially reduce Namibia's export performance and weaken external demand over time.
5. The Governor further noted that the resulting volatility has placed pressure on the Namibia Dollar, remarking that the depreciation is likely to raise the cost of imports, fuel inflationary pressures, and widen the current account deficit if left unchecked. He underscored the importance of proactively pursuing a more diversified export strategy and deepening engagement in global trade diplomacy to safeguard Namibia's economic resilience in the face of shifting global dynamics.
6. Recognising the evolving challenges, the Bank reaffirmed its commitment to evidence-based policymaking. The Bank shared its ongoing macroeconomic research and policy advisory work in rural economic development, global agricultural value chains, fisheries policy outcomes, water scarcity, and the financial implications of recent oil discoveries that have the potential to advance socio-economic development, job creation and poverty alleviation, once fully implemented.
7. A key discussion highlighted the Bank of Namibia's decision to commence gold accumulation as part of its foreign exchange reserve management strategy. The move to include gold, targeting 3 percent of net FX reserves, aligns with global central banking trends, given gold's strategic value in hedging against inflation and enhancing resilience during economic shocks.
8. The Bank further updated the President on the progress of strategic projects underway in 2025:
 - Namibia's Central Securities Depository (CSD) Project: The CSD company has received all necessary licenses and is moving forward with industry engagement and phased system implementation. This milestone is expected to significantly modernise Namibia's financial markets and attract greater offshore investment.
 - The Instant Payment Programme (IPP): Through its dedicated subsidiary, Instant Payments Namibia (IPN), the Bank is developing a fast, secure, and low-cost real-time payment platform. This initiative seeks to enhance financial inclusion, reduce payment processing

costs, and drive digital transformation. A key focus is enabling efficient Government-to-Person (G2P) payments to improve service delivery, particularly for social grants and other public sector transactions.

9. The Governor reiterated the Bank's continued dedication to supporting inclusive economic growth, safeguarding macroeconomic stability, and contributing to the Republic of Namibia's broader development agenda.
10. Present at the engagement were Vice President, H.E. Lucia Witbooi, Deputy Prime Minister and Minister of Industry, Mines and Energy, Hon. Natangwe Ithete, Special Advisor Hon. Christine IlHoeibes and Executive Director of the Ministry of Finance, Dr. Michael Humavindu.

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