



Beyond The Borders: Trends In Namibia's Portfolio Investment September 2025



Bank of Namibia



BEYOND THE BORDERS: TRENDS IN NAMIBIA'S PORTFOLIO INVESTMENT

BY

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This note examined recent trends in Namibia's portfolio investment flows and positions, with a focus on composition, geographical allocation, currency and sources of income. Drawing on Balance of Payments and International Investment Position data, the policy note analyses the evolution of equity and debt securities over the past fifteen years and latest quarters of 2025, highlighting the role of policy and regulations changes, and domestic and global financial market dynamics. The findings points to a growing preference for CMA portfolio diversification, driven by risk-return considerations and domestic market constraints. While outward investment has strengthened Namibia's integration into global capital markets, it also poses challenges for domestic liquidity management and exchange rate stability. The note concludes with macroeconomic recommendations aimed at balancing the benefits of international diversification with the need to support domestic capital market development and safeguarding macroeconomic stability.



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1. Introduction

Regular analysis of portfolio investment data is crucial given its significant role in international financial flows and external sector dynamics. From a macroeconomic perspective, both inward and outward portfolio investment plays a vital role in supporting domestic financial markets, enhancing market liquidity, diversifying funding sources and building market confidence to reinforce foreign markets accessibility. When foreign investors purchase domestic securities, capital is injected into the economy, which supports the financing of the government deficit and the growth of private businesses. Conversely, for economies with relatively shallow financial markets and excess savings such as Namibia, portfolio investment outflows tend to be a structural feature expanding the risk-return possibilities.

Namibia's portfolio investment has experienced notable shifts in both scale and composition over the years. When compared to other components of the financial account, net portfolio investment flows consistently rank second to net direct investment in terms of value. While direct investment has remained the dominant source of external financing given the abundance of natural resource in Namibia, portfolio investment has shown more volatile and cyclical patterns, influenced by global financial conditions, risk appetite, interest rate differentials, fiscal metrics and strategies, and domestic regulatory frameworks such as the *NAMFISA Regulation 13 on Domestic Asset Requirement (DAR)*¹.

Portfolio investment flows are highly sensitive to global and domestic conditions. When global financial conditions are not tight, risk appetite is high, and domestic interest rates exceed global rates, investors tend to channel funds into a country's bonds and equities, boosting prices and lowering yields. Conversely, tighter global liquidity, rising global rates, or falling domestic rates often trigger outflows as investors shift to safer or higher-yielding markets. Furthermore, a country's fiscal metrics also matters as they build confidence and attract inflows, while high deficits or rising debt increase perceived risk, push yields up, with potential implications on portfolio investment outflows.

Domestic asset requirement for pension funds and long-term insurers has been progressively tightened in Namibia, aiming to boost local investment and strengthen domestic capital markets. NAMFISA introduced phased amendments to Regulation 28 of the Pension Funds Act of 1956, progressively increasing the minimum domestic asset requirements for pension funds and long-term insurers. The threshold was initially set at 10 percent in 1994 and further increased to 35 percent in 1995. It was further adjusted upwards to 40 percent in August 2018, 42.5 percent in November 2018, and to 45 percent by March 2019 under the amended Regulation 13. These reforms were designed to safeguard local investment, deepen domestic capital markets, spur financial innovation, and encourage new listings on the Namibian Stock Exchange (NSX), while allowing room for diversification abroad.

This note presents trends in Namibia's foreign portfolio investments flows from 2009 to 2024 with latest data of quarter one and two of 2025. At the outset, the note highlights relevant compilation methodologies and definitions as per international standards. Following this, detailed data on Namibia's portfolio investment is provided, including trends in portfolio investment flows and positions for both assets and liabilities, zooming into geographical allocation, currency, and sources of funding. It further presents some key drivers underpinning the trends in the data, followed by possible implications of higher portfolio investment abroad on the external sector and broader economic effects.

¹ The Domestic Asset Requirement (DAR) is a regulatory policy that requires institutional investors, such as retirement funds, to invest a minimum proportion of their assets within the domestic economy. In Namibia the DAR is currently set at 45 percent, with Retirement funds expected to invest 45 percent of the asset domestically.

2. Methodological Perspective

From a methodological and definition perspective, the compilation of foreign portfolio investment data is guided by the International Monetary Fund (IMF) in the *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)*. Portfolio investment refers to the cross-border holdings of equity² and debt securities³ in which an investor does *not* exercise significant influence or control over the issuing entity; this means owning less than 10 percent of voting shares. It includes cross-border trading of instruments such as shares, bonds, and money market securities by investors seeking diversification of financial assets and income generation in the form of dividends or interest, while maintaining liquidity and flexibility. The BPM6 uses two terms to define portfolio investment flows, which are net acquisition of asset and net incurrences of liabilities. The net acquisition of assets refers to the difference between foreign assets acquired by residents and the disposal of those assets, while the net incurrence of liabilities represents the value of new liabilities incurred to non-residents minus the liabilities repaid to them.

The coverage of Namibia's portfolio investment data has been enhanced over the years in accordance with international reporting standards, guidelines and best practices. Since 2016, the collection and compilation of Namibia's portfolio investment has transitioned from BPM5 to BPM6, where it forms part of the financial account of the balance of payments and the international investment position. The data on debt securities forms part of the Quarterly External Debt Statistics (QEDs), which is submitted to the IMF on a quarterly basis. Moreover, from 2020, Namibia started participating in the IMF's Portfolio Investment Positions (PIP) by Counterpart Economy dataset (formerly known as the Coordinated Portfolio Investment Survey, or CPIS) and the Securities Held as Foreign Exchange Reserves (SEFER) survey on an annual basis from 2024. These two voluntary surveys have enhanced the availability of disaggregated data for various users, thereby promoting global transparency, supporting financial stability and enhances informed decision making both at national and international levels.

Namibia's portfolio investment is compiled from numerous sources. The data on portfolio investment is mainly sourced from quarterly surveys sent out to asset management companies and collective investment schemes, supplemented by data from pension funds, insurance and any other companies that have investments abroad or use external fund managers. The International Transactions Reporting System (ITRS), also known as the Balance of Payments Customer Transaction Report Message System (BOPCUS) is also used as an additional source for households' portfolio investment data as well as for data validation purposes on submissions from respondents.


3. Overview of portfolio investment in the Namibian economy

3.1 Trends in Portfolio Investment Flows and Positions

Namibia's portfolio investment flows have depicted fluctuating patterns over time. Over the past fifteen years, with the inclusion of the first two quarters 2025, portfolio investment has consistently recorded net outflows, indicating that Namibian residents have been investing more in foreign markets than non-residents have been investing in Namibia. Between 2009 and 2024, overall portfolio investment averaged a net outflow of N\$1.2 billion, primarily driven by increased allocations to relatively riskier listed equity securities in international markets (Figure 1a). Moreover, the free movement of capital within the Common Monetary Area (CMA) contributed to increased outflows in debt securities to the deeper South African market. The limited capacity of the domestic market

² Equity securities include both listed shares traded on stock exchanges, unlisted shares where no control is exerted as well as investment fund shares or units from mutual funds and other collective investment schemes.

³ Debt securities comprise of financial instruments that create a contractual obligation for the issuer to repay borrowed funds, with interest, within a specified period, i.e. bonds, money market instruments, commercial papers, Treasury bills.



to absorb large-scale investments, combined with higher returns and stronger growth prospects abroad, further reinforced the outflow trend.

Net portfolio investment has mainly reflected outflows for the past fifteen years. Namibia recorded net portfolio investment outflows from 2009 to 2014, with inflows recorded in 2011. From 2020 to 2022, Namibia registered net inflows in portfolio investment, largely due to the net selling of foreign equity and debt securities by resident institutional investors in line with higher domestic asset requirement. This trend of net inflows was reversed in 2023 and 2024, with renewed net outflows driven by lower issues of domestic debt instruments by the Government of Namibia and interest rate differentials, in favour of South Africa, where higher rates made debt securities more attractive than domestic options. Net outflows in portfolio investment reflected the cautious yet strategic approach taken by resident institutional investors, which oversee significant pension and long-term insurance funds (figure 1b). These institutional investors have primarily allocated their funds into equity instruments, which have consistently accounted for a larger portion of total portfolio holdings than debt securities. This preference highlights the role of portfolio investment in supporting long-term growth and risk management through global diversification.

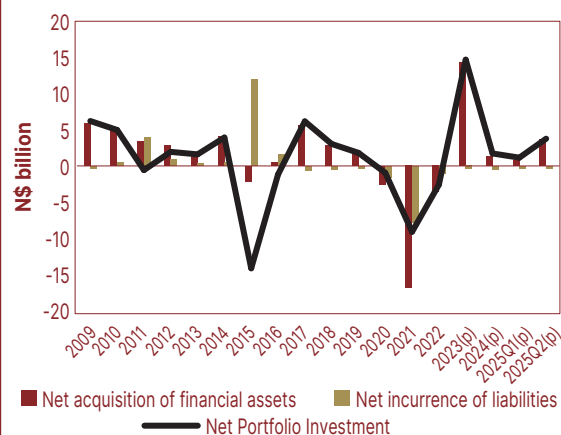
Namibia's stock of portfolio investment abroad has reflected an upward trend over the years, mainly contained in equity and investment fund shares. This trend towards growing acquisition of foreign assets by Namibian residents has resulted in the total stock of outward portfolio investment rising markedly from N\$48.5 billion at the end of 2009 to N\$193.0 billion at the end of 2024, reflecting both the prevalence of outflows and the revaluation gains from price and exchange rate changes. By the end of the second quarter of 2025, Namibia's outward stock of portfolio investment had risen strongly further to N\$212.3 billion, boosted largely by rising share and bond prices creating positive revaluation effects (Figure 1d). As a percentage of GDP, Namibia's outward portfolio investment stock averaged 64 percent annually between 2009 and 2023, rising to 75.3 percent in 2024 (Figure 1e).

On the liability side, Namibia's portfolio investment has been primarily driven by international sovereign bond issuances. Initially, the country had minimal exposure to foreign capital prior to the issuance of two Eurobonds and some JSE-listed bonds in 2011 and 2015. These issuances resulted in significant inflows of foreign capital, as the government sought to access international capital markets while reducing reliance on domestic borrowing (Figure 1c). Substantial inflows were recorded in 2011 and 2015, following the issuance of Eurobonds worth US\$500 million and US\$750 million, respectively. Consequently, the stock of portfolio investment liabilities increased from just N\$127 million in 2009 to about N\$22.1 billion in 2020. However, this upward momentum was reversed in 2021, when the government redeemed the first Eurobond valued at N\$7.7 billion (US\$500 million), leading to a sharp decline in foreign portfolio liabilities to N\$15.8 billion by the end of 2021, thereafter, moving broadly sideways (Figure 1d).

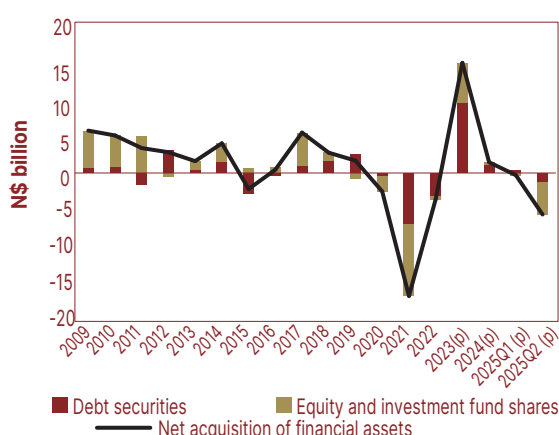
Looking ahead, Namibia's inward portfolio investment liabilities are expected to decline significantly towards the end of 2025 due to the second Eurobond redemption in October. The repayment of the US\$750 million Eurobond (approximately N\$14 billion) will result in a substantial outflow of portfolio investment, leading to a marked reduction in foreign liabilities under the portfolio investment category in the financial account, as international investors holding the bond are repaid in full. This transaction will reduce the stock of portfolio investment liabilities in the International Investment Position (IIP), while also leading to a drawdown of foreign reserves. It will also contribute to a notable decline in foreign reserves. As a result, although the stock of both external assets (reserves) and liabilities (Eurobond) will decrease, the overall impact on the net financial account and the net IIP position is expected to be broadly neutral, since the fall in liabilities is matched by a corresponding reduction in assets. Importantly, the redemption will reduce Namibia's external debt, while also underscoring the need for prudent reserve management and effective refinancing strategies to maintain investor confidence and ensure continued access to international capital markets.

Figure 1 (a-e): Portfolio investment flows (- inflow, +outflow)

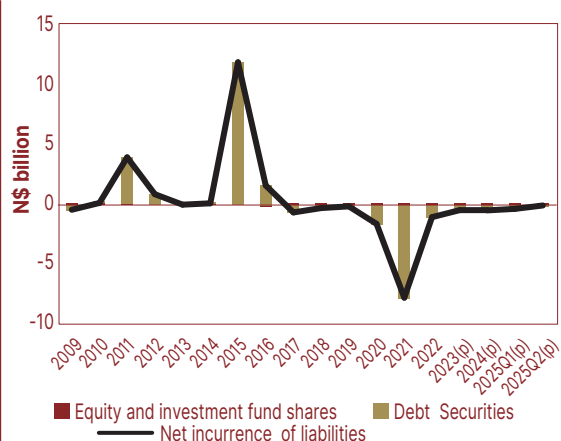
a. Namibia's net portfolio investment flows depicted fluctuating patterns, although net outflows are registered more frequently.



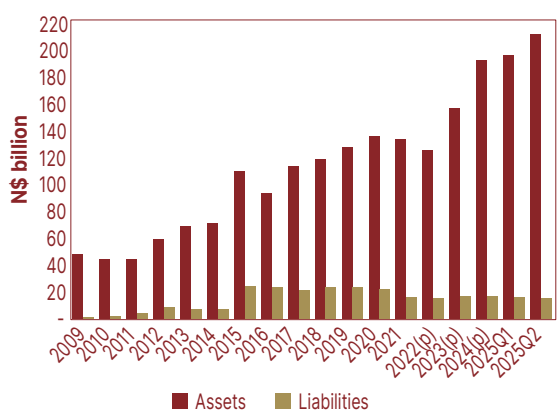
b. The large contractual savings pool has largely contributed to the outflows of portfolio investments in equity and debt securities in foreign markets.



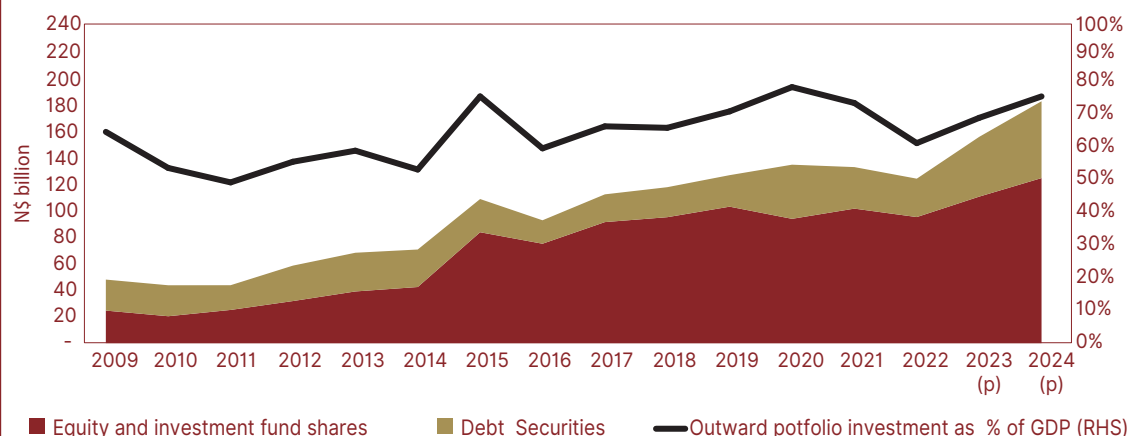
c. Net incurrence of foreign portfolio liabilities has largely been driven by government bond issuances in foreign markets.



d. The stock of portfolio investment assets acquired by residents has exhibited a clear upward trend over the years, whereas the liabilities incurred to non-residents have largely remained stable with a fall in 2021 when a Eurobond was redeemed.



e. Namibia's outward portfolio investment, as a percentage of GDP, has remained above 50 percent throughout the period 2009 to 2024.

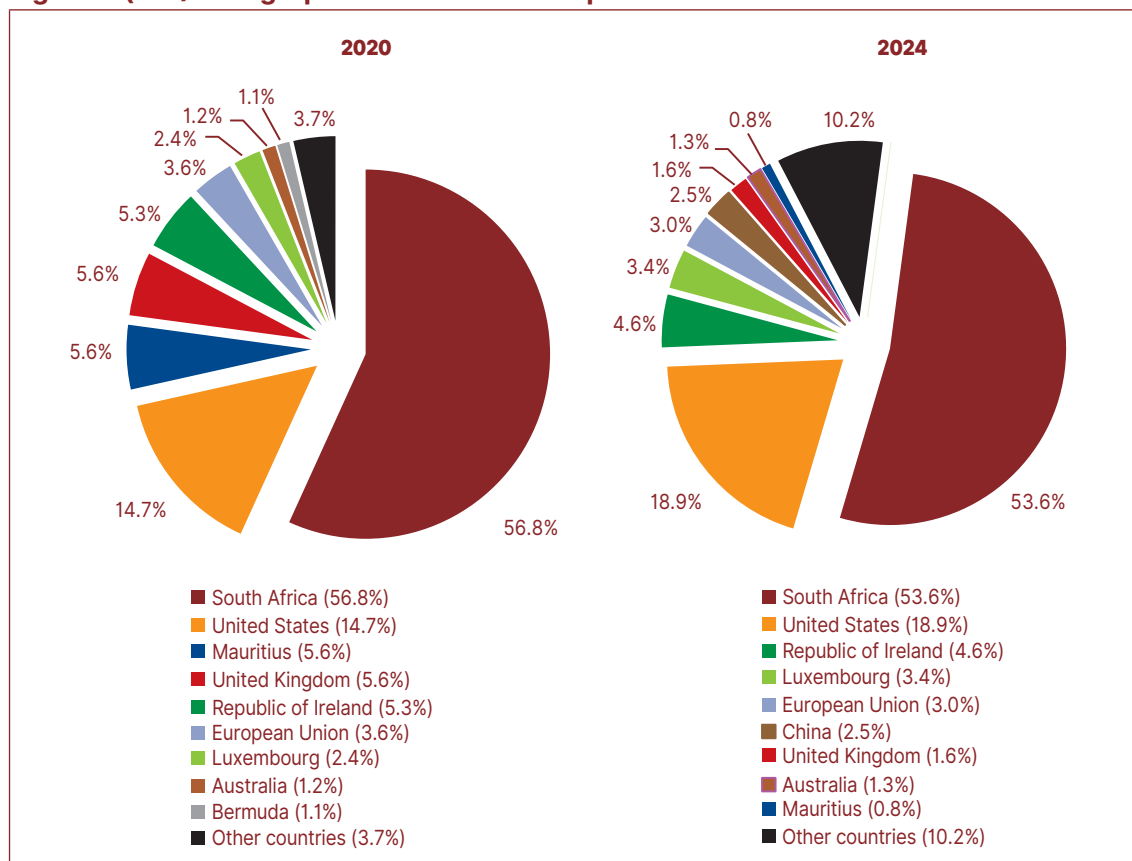


3.2 Portfolio investment assets by geographic allocation

Namibia's portfolio investment assets are largely concentrated in the South African and the US markets. South Africa accounted for 53.6 percent of Namibian portfolio investments in 2024 compared to 56.8 percent in 2020 (Figure 2a-b). Namibia's main investment partner has maintained this dominance, reflecting the CMA integration with the Namibia Dollar pegged at 1 to 1 to the South African Rand and the close linkages between the two countries bond and equity markets. However, this dominance has declined in recent years, underscoring the gradual diversification of portfolios into other international markets. The United States recorded the most notable growth, rising to 18.9 percent in 2024 from 14.7 percent in 2020, consolidating its position as the second-largest destination. Among other destinations, the share of the Republic of Ireland fell from 5.3 percent to 4.6 percent while that of Luxembourg rose from 2.4 percent to 3.4 percent. The share of other European Union member states, excluding the aforementioned countries, declined to 3.0 percent from 3.6 percent in 2020.

The share of Namibia's portfolio investments across other countries has exhibited variability over time, reflecting periods of both increases and decreases in exposure to these markets and new ones. The share of United Kingdom declined significantly from 5.6 percent in 2020 to 1.6 percent in 2024. This trend may be ascribed to a combination of factors, including Brexit-related uncertainties and the impact of high-profile bank failures, such as Silicon Valley Bank and Credit Suisse, on investor confidence. In addition, the share of Mauritius fell to 0.8 percent over the same period. Investment destinations have also evolved over time, as reflected in the new countries that entered the top ten in 2024, most notably China with a share of 2.5 percent, alongside rising allocations to Australia (1.2 percent to 1.3 percent) and other countries, which expanded sharply from 3.7 percent to 10.2 percent. These changes reflect a clear trend toward diversification, as institutional investors channel funds into a broader set of international securities in pursuit of higher returns and reduced concentration risk. Meanwhile, some markets that featured in the top ten in 2020, such as Bermuda, dropped out by 2024. Overall, it appears to be that the institutional investors invested less in other African countries, with South Africa and Mauritius remaining the only notable exceptions.

Figure 2 (a-b): Geographical distribution of portfolio investment assets



The momentum of Namibia's investment patterns abroad, particularly in terms of country-specific allocations, continued steadily into 2025. The most recent data for the second quarter of 2025 indicates that South Africa remains the dominant and preferred destination for Namibian investments, reflecting the longstanding economic and financial ties between the two countries (Figure 3c). During the second quarter of 2025, South Africa's share of Namibia's total foreign investments decreased to 53.5 percent, from 53.6 percent recorded at the end of 2024, remaining primarily concentrated in equity and investment fund shares. Although there was a marginal decline in the investment to South Africa, continued confidence of Namibian investors in South Africa's potential returns persisted. Moreover, investments directed to other countries across the globe collectively accounted for 46.5 percent of Namibia's total investments abroad, highlighting that while diversification remains a factor, the majority of foreign investments continue to favour the regional hub of South Africa.

Figure 2c: Namibia's Portfolio Investment: South Africa vs Offshore assets (Q2 2025)

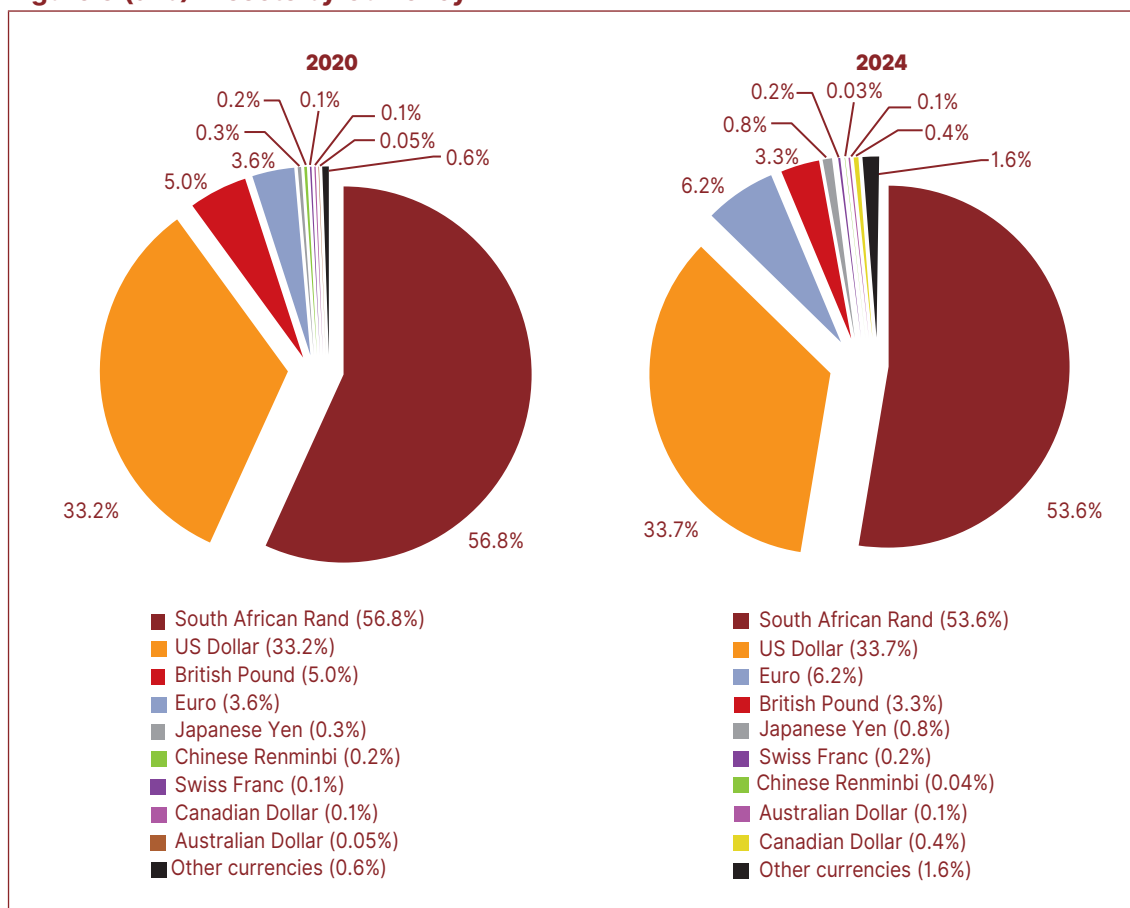
a. During the second quarter of 2025, Namibia's portfolio investment was mostly invested in the South African market and mostly contained in equity and investment fund shares.



3.3 Portfolio investment assets by Currency

The currency composition of Namibia's investments abroad has historically been shaped by South African Rand-denominated investments. The currency composition of Namibia's investments abroad has historically been shaped by South African Rand-denominated investments; however, its share declined to 53.6 percent in 2024 compared to 56.8 percent in 2020. Despite this decline, the Rand continued to make a significant contribution to the structure of Namibia's portfolio investments abroad and still accounts for the largest share by value. This reduction reflects gradual diversification towards major currencies that forms part of the Special Drawing Rights basket, particularly the US Dollar, Euro and Japanese Yen. The US Dollar's share remained on an upward trajectory, rising slightly to 33.7 percent in 2024 from 33.2 percent in 2020, in line with investment flows to the United States. Despite a slight decline in assets allocated within the European Union, the Euro's share rose to 6.2 percent from 3.6 percent, reflecting its growing prominence as a widely traded currency across various stock exchanges. Meanwhile, the British Pound declined to 3.3 percent from 5.0 percent. Moreover, the Japanese Yen's share rose to 0.8 percent from 0.3 percent, highlighting further diversification into globally stable and liquid currencies. Smaller allocations were also recorded in the Swiss Franc (0.2 percent from 0.1 percent), Canadian Dollar (0.4 percent from 0.1 percent), and Australian Dollar (0.1 percent from 0.05 percent). In contrast, exposure to the Chinese Renminbi contracted to 0.04 percent from 0.2 percent observed in 2020. Other currencies rose to 1.2 percent from 0.6 percent over the same period, reflecting investors' continued pursuit of higher-yielding instruments.

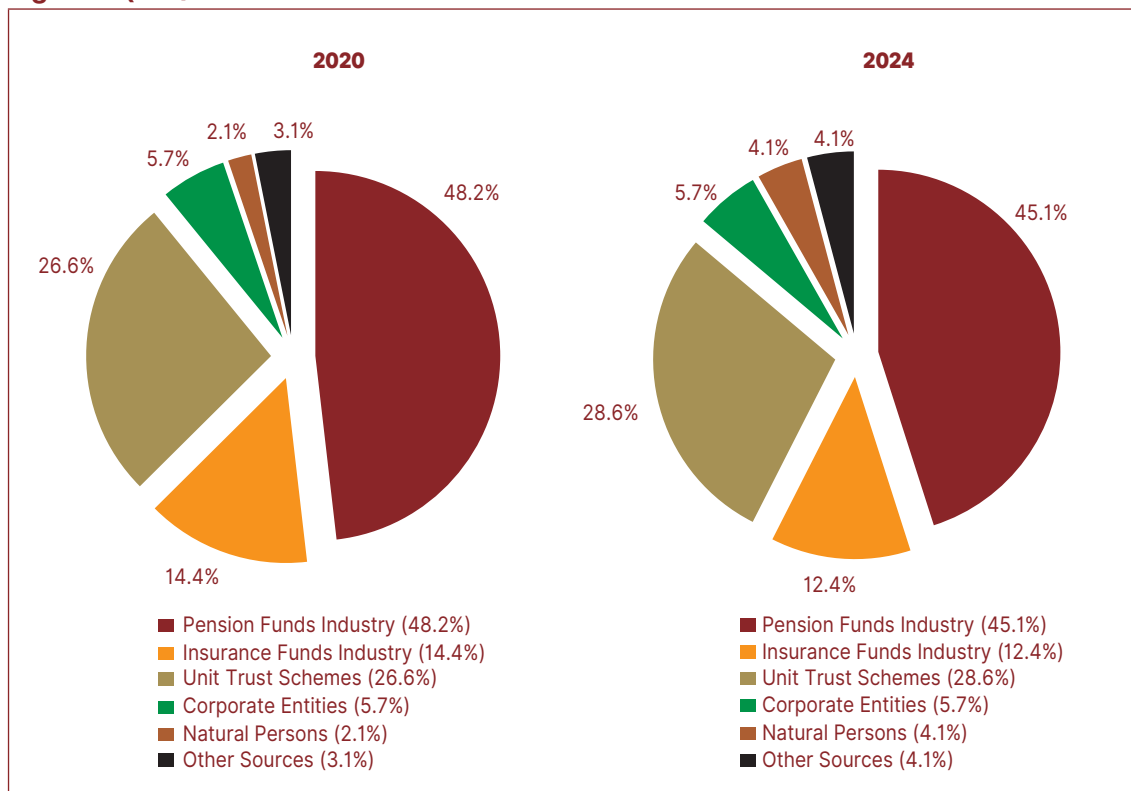
Figure 3 (a-b): Assets by Currency



3.4 Portfolio investment Funding Structure

Institutional investors, corporate entities, individual investors and other sources have been pivotal in companies with sufficient capital to place in foreign markets. Since 2020, pension funds have remained the largest contributor, accounting for 48.2 percent of total investment sources, although their share declined slightly to 45.1 percent by 2024. The trend also depicted growing retail and institutional participation through collective investment scheme, as the share of unit trust schemes rose to 28.6 percent in 2024 from 26.6 percent in 2020. In contrast, insurance funds experienced a decrease to 12.4 percent in 2024 from 14.4 percent 2020, while contributions from corporate entities remained relatively stable, although their total value increased, underscoring their consistent role over time. In addition, the share of natural persons rose to 4.1 percent from 2.1 percent recorded in 2020. This highlights a meaningful, though still relatively small, shift toward greater retail investor involvement. The contribution of other sources rose to 4.1 percent from 3.1 percent, reflecting the entry of more financial market participants, including medical aid fund schemes.

Figure 4 (a-b): Sources of Fund



4. Macroeconomic Implications

The continued growth of outward portfolio investment carries several important implications for Namibia's economy and financial system. The implications include enhancing diversification opportunities for domestic investors, particularly to access a broader range of assets and potentially achieve higher, more stable returns than the limited domestic market can offer. This international exposure can improve overall portfolio performance and reduce vulnerability to local economic shocks. Moreover, these investments can contribute positively to the current account of the balance of payments, especially through investment income inflows. In this regard, investment income inflows from portfolio investment have increased steadily over the years in line with the growth in the stock of foreign portfolio assets. This increased from N\$2.9 billion in 2020 to about N\$8.7 billion in 2024. Additionally, outward flows in the form of coupon payments have become a smaller drain on Namibia's reserve assets as the interest payments in the form of coupons to international investors fell to N\$859 million in 2024, from N\$1.6 billion in 2020 when both Eurobonds were still in issue. On the financial account, however, persistent outflows in portfolio investment for the recent years also signal increased preference for investment in foreign markets, which may reflect limited investment opportunities in the domestic markets or declining investor confidence in the local economy. To address these challenges, the country should implement the key pillars of its financial sector transformation strategy to strengthen domestic markets and create an environment that attracts foreign investment. The operationalisation of the Central Securities Depository (CSD) will go a long way in linking Namibian issuers to foreign capital.

Given the peg arrangement, outward portfolio flows should be carefully monitored and managed to avoid deterioration of Namibia's external balance. Large and persistent outflows in portfolio investment if not controlled may place pressure on the country's foreign exchange reserves. Therefore, the Bank of Namibia should continue to monitor these flows and adjust its policy responses to safeguard both financial and macroeconomic stability. The Eurobond redemption in October 2025 will have a material impact on Namibia's portfolio investment position, with the net position expected to improve going forward given the reduced foreign exposure. This should bode well for reserve accumulation as less foreign coupon payments are to be made.



5. Conclusion

Namibia's portfolio investment abroad has increased substantially over the period 2009 to 2024 and first two quarters of 2025 indicating a deeper integration with global financial markets as investors continue to diversify beyond domestic and regional borders. This growing outward investment trend highlights Namibia's strong contractual savings where institutional investors like pension funds and asset managers play a pivotal role in managing large pools of capital. The breakdown of portfolio investment positions by instrument shows a growing preference for debt security instruments in recent years, although equity securities remain the largest and continue to play a key role in ensuring stable income returns in the form of dividends. Geographic allocation of portfolio assets highlights a concentration in the South African market, with a gradual shift toward the U.S. market. This further indicates Namibia's growing demand for offshore investment and its exposure to external shocks. The currency composition remains largely dominated by the South African Rand reflecting significant CMA linkages, followed by major SDR currencies such as the US dollar and the Euro. This trend has supported risk diversification and also expose Namibia's portfolio investments in other currencies to revaluation effects.

Accurate collection, compilation and dissemination of timely portfolio investment statistics is important to inform policy decisions. The compilation of portfolio investment data is expected to improve with the operationalisation of the Central Security Deposit company towards the end of 2025. The CSD will be a vital source of data on non-resident holders of domestically issued securities as well as resident holders of securities issued by entities that are dual listed on the NSX.