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THE NAMIBIAN FINANCIAL SYSTEM REMAINS STABLE, SOUND AND RESILIENT, AMIDST HEIGHTENED GLOBAL MACRO-FINANCIAL CONDITIONS

On the 20th of July 2026, the Macroprudential Oversight Committee (MOC)[1] of the Bank of Namibia (the Bank) convened its first meeting of 2026 to assess global and domestic macro-financial conditions and their potential implications for financial stability. Following a comprehensive assessment of the systemic risks and financial sector vulnerabilities, the Committee concluded that Namibia's financial system remains sound and stable. Financial institutions continue to maintain adequate financial and prudential buffers to withstand potential shocks, while the financial market infrastructure remains operationally resilient. The MOC reaffirms its commitment to closely monitor emerging vulnerabilities and stands ready to implement appropriate macroprudential policy measures should systemic risks intensify.

RECENT FINANCIAL STABILITY DEVELOPMENTS

The Bank's MOC, at its first meeting of the year, held on the 20th of July 2026, conducted a comprehensive assessment of both global and domestic macro-financial developments, with a specific focus on potential risks to the Namibian financial system.

1. **Since the last meeting in November 2025, the global financial system has remained resilient amid rising global financial stability risks, with an uncertain global economic outlook prevailing.** Global financial markets have remained volatile amid the ongoing conflict in the Middle East, rising inflationary pressures and tighter global financial conditions. Market functioning has, however, remained orderly despite concerns over elevated equity market valuations in the Tech-sector and the sharp rise in bond yields. In addition, emerging market economies have experienced increased capital outflows and exchange rate pressures.

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[1] 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 Macroprudential 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.

2. Furthermore, cross-border portfolio flows to emerging markets are increasingly intermediated by non-bank financial institutions and remain particularly sensitive to shifts in global risk sentiment. Moreover, concerns over rising sovereign indebtedness and broader structural challenges also continue to weigh on the medium-term global economic outlook. Going forward, global growth is projected to moderate to 3.0 percent in 2026, down from 3.5 percent in 2025. Growth in Advanced Economies (AEs) is projected at 1.7 percent while Emerging Market and Developing Economies (EMDEs) are projected to grow at 3.8 percent during 2026.

3. **Despite ongoing global headwinds, the domestic economy demonstrated resilience during the period under review**. Namibia's real GDP grew by 2.0 percent in the first quarter of 2026, rebounding from 0.1 percent growth recorded in the final quarter of 2025. The real growth was primarily driven by the agriculture, wholesale and retail trade, as well as financial intermediation sectors, while mining activity contracted due to weaker diamond demand and lower gold ore production. Looking ahead, real GDP growth is projected to increase to 2.6 percent in 2026, supported mainly by stronger activity in uranium mining, wholesale and retail trade, financial services, and public administration and defence. Nevertheless, the outlook remains subject to downside risks arising from persistent geopolitical tensions, weaker global demand, rising inflationary pressures, water supply constraints, particularly for the uranium mining sector, as well as the potential development of an El Niño event.

4. **The banking sector remained well capitalised, profitable and liquid during the first quarter of 2026, with notable improvement in asset quality.** Total banking sector assets increased by 3.8 percent to N$195.1 billion, driven mainly by growth in net loans and advances, supported by higher holdings of short-term negotiable securities. Although profitability remained strong, the return on assets declined from 2.8 percent to 2.3 percent, while the return on equity decreased from 21.8 percent to 18.1 percent during the first quarter of 2026, mainly reflecting lower net interest and net trading income. Credit risk continued to improve, with the non-performing loan ratio declining from 4.3 percent in the fourth quarter of 2025 to 4.2 percent in the first quarter of 2026, largely owing to write-offs and recoveries in the mortgage loan portfolio.

5. Similarly, liquidity remained adequate, with both the liquidity coverage ratio and net stable funding ratio improving further while remaining comfortably above the minimum regulatory requirements. This confirms that the banks have sufficient liquidity buffers to withstand

potential funding pressures and continue to meet funding obligations. Capital levels also remained strong, with the capital adequacy ratio broadly stable at 17.2 percent in the first quarter of 2026. Moreover, the latest macro-stress testing results confirmed that the banking sector remains resilient under severe macro-financial scenarios, with capital adequacy remaining above the prudential requirement.

6. **The Non-Bank Financial Institutions (NBFIs) sector remained financially sound and resilient during the first quarter of 2026, underpinned by continued asset growth and sustained demand for financial services.** Retirement fund assets increased by 0.1 percent quarter-on-quarter and 14.9 percent year-on-year, reaching N$303.9 billion. Similarly, assets under management in collective investment schemes expanded by 2.5 percent on a quarterly basis and 16.7 percent year-on-year to N$126.5 billion. The retirement funds sector remains exposed to structural funding pressures, with the contribution shortfall projected to widen under both the baseline and severe stress-test scenarios, reflecting demographic pressures and a weakening contribution base. Overall, the NBFI subsector maintained strong solvency positions and adequate capital reserves, suggesting that the sector is well positioned to withstand short-term volatility while continuing to play a key role in Namibia's financial system.

7. **Financial stability risks emanating from the domestic residential property market remained contained during the review period; however, the market developments warrant closer monitoring.** Housing market activity improved during the first quarter of 2026, with mortgage credit growth increasing to 1.4 percent from a mild contraction of 0.06 percent in the previous quarter. Nevertheless, household mortgage credit growth remains below its historical long-term average, reflecting persistent affordability constraints. Although house price growth moderated slightly to 7.3 percent during the review period, housing affordability pressures remained elevated. In addition, structural challenges, including limited land delivery and growing housing demand, continue to constrain the housing market, while emerging housing financing channels continue to warrant close monitoring. Overall, the Committee assessed that current developments in the property market do not warrant changes to the existing macroprudential policy measures.

8. **Risks to the national payment infrastructure remained well contained during the review period.** During the first half of 2026, the Namibia Interbank Settlement System (NISS) remained stable and operated efficiently, supporting the financial sector and the

broader economy. Payment obligations continued to settle efficiently, with no material operational disruptions affecting system operations. The Bank also continued to strengthen the resilience, security and operational efficiency of the national payment infrastructure through ongoing enhancement initiatives.

MACROPRUDENTIAL POLICY STANCE

9. **Considering the above assessment, the MOC concluded that the financial system remains sound, stable and resilient despite the prevailing macroeconomic environment.** Accordingly, the MOC concluded that no additional macroprudential policy intervention is required at this stage. The current active macroprudential policy measures, alongside existing microprudential regulation as well as ongoing supervisory actions, are considered sufficient for the prevailing macro-financial environment. The Committee will continue to closely monitor global and domestic macro-financial developments and stands ready to deploy the appropriate macroprudential policy measures should conditions warrant a policy response.

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