

*This Issue...*Regular Updates

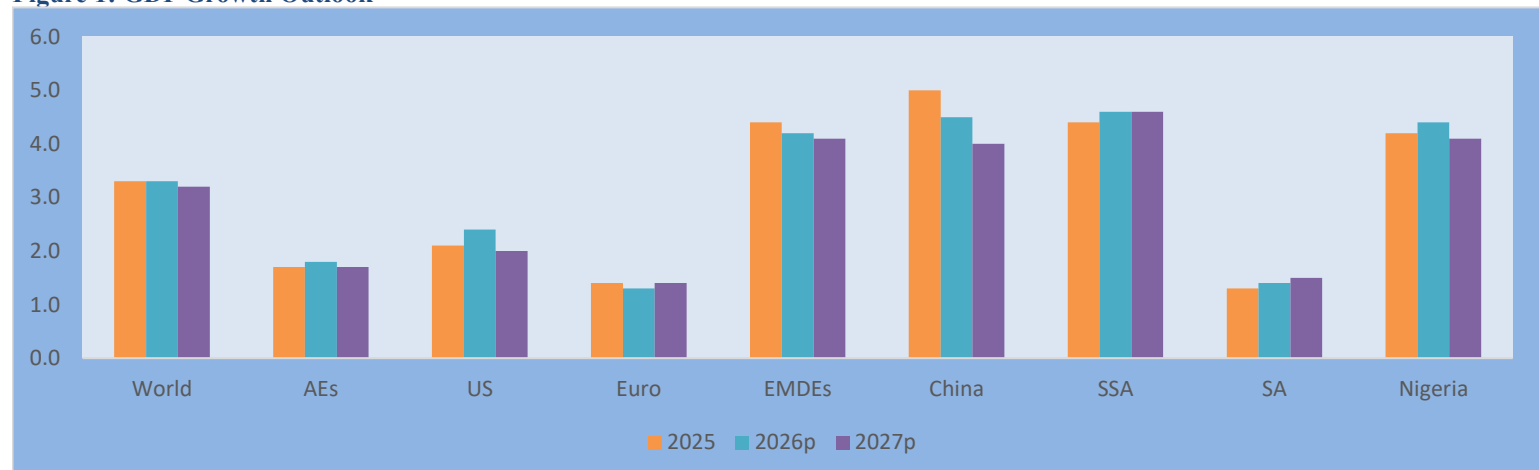
- Global & Regional Economies
- Commodity Prices
- Domestic Economy
- Inflation
- Balance of Payments
- Private Sector Credit Extension

Special Feature: The 2026/2027
National Budget

1. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

The IMF's World Economic Outlook (WEO) January 2026 Update estimates the global economic growth to remain steady at 3.3 percent in 2025 and 2026, relative to the 2024 growth, as shown in figure 1. The growth for 2025 reflects an upward adjustment of 0.1 percent from the October 2025 WEO update. The global economy is projected to moderate to 3.2 percent in 2027. The steady growth performance reflects the balancing of divergent forces in the global economy. The impacts of shifting trade policies are offset by catalysts from surging investment related to technology, including artificial intelligence, as well as fiscal and monetary policy support, broadly accommodative financial conditions, and adaptability of the private sector.

Figure 1: GDP Growth Outlook



Source: WEO, January 2026

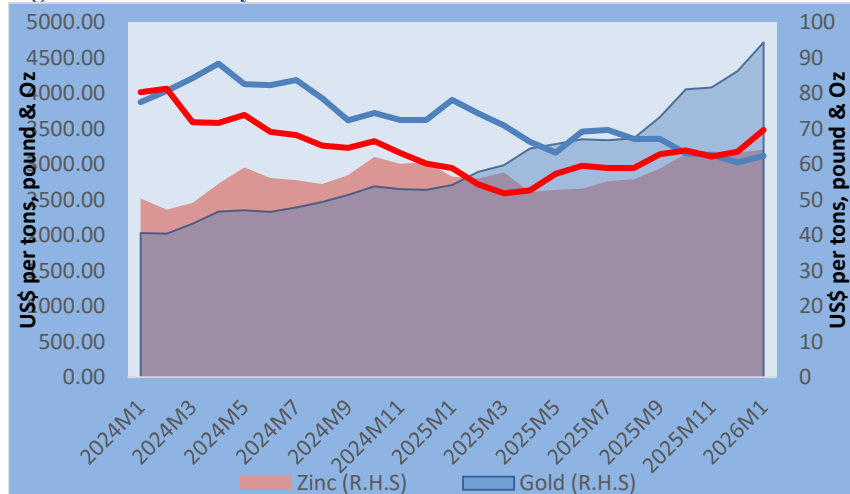
In advanced economies, growth is projected to remain broadly steady, increasing marginally. In this respect, growth in advanced economies is estimated to rise from 1.7 percent in 2025 to 1.8 percent in 2026, before slowing down to 1.7 percent in 2027. The projected growth is driven mainly by the US economy, which is expected to grow by 2.4 percent in 2026 supported by fiscal policy and relatively lower policy rate, while the impact of higher trade barriers also gradually fades. In 2027, growth in the US economy is projected to slow down to 2.0 percent. In the Euro Area, growth is projected to remain subdued with a moderate growth of 1.4 percent in 2025 and 1.3 percent in 2026, but it is expected to pick up slightly to 1.4 percent in 2027. The improvement in 2027 reflects projected increases in public spending, notably in Germany, alongside continued strong performance in Ireland and Spain. The lingering effects of the persistent rise in energy prices after Russia/Ukraine war will continue to drag on manufacturing, with additional pressure from the real appreciation of the Euro relative to currencies of countries exporting similar products.

In Emerging Markets and Developing Economies, growth is estimated to remain stable at 4.4 percent in 2025 and is projected to slow down marginally to 4.2 percent in 2026. The growth is driven by stronger-than-expected outturn from China and India. Growth in China is estimated at 5 percent in 2025 and is projected to moderate marginally to 4.5 percent in 2026, reflecting slowed momentum for stimulus measures. The growth for emerging markets is projected to slow down to 4.1 percent in 2027. Growth in the Sub-Saharan Africa is estimated at 4.4 percent in 2025, before picking up to 4.6 percent in 2026 and 2027. This represents an upward revision compared to the October 2025 update, which is supported by macroeconomic stabilization and reform efforts in key regional economies. Growth in Nigeria is estimated at 4.2 percent in 2025 and 4.4 percent in 2026 owing to favourable investment conditions. The South African economy maintains a stable, growing at 1.3 percent in 2025, which is projected to improve to 1.4 percent and 1.5 percent in 2026 and 2027, respectively.

2. COMMODITY PRICES DEVELOPMENTS

The IMF All Commodity Price Index recorded an average annual growth of 1.3 percent in 2025 compared to a decline of 0.5 percent average annual growth in 2024 percent, pulled down mainly by a decline in crude oil price index. On a monthly basis, the index grew by 1.4 percent in December, mainly supported by a surge in prices of gold and uranium. The all-metal price index strongly grew by 23.6 on average in 2025 relative to 8.3 percent average annual growth of 2024. and expanded by 6.2 percent monthly in December 2025. The annual increase is attributed to high copper and gold prices.

Figure 2: Commodity Prices in US\$



Source: IMF, January 2026

The Uranium spot price grew on average by 58.8 percent in 2025, compared to an average growth of 42.3 percent in 2024. During the year, prices gradually increased, peaking at USD63.9 per ounce in October and moderating to USD63.5 per ounce in December. The price is expected to rise in 2026 with increasing demand for nuclear output globally.

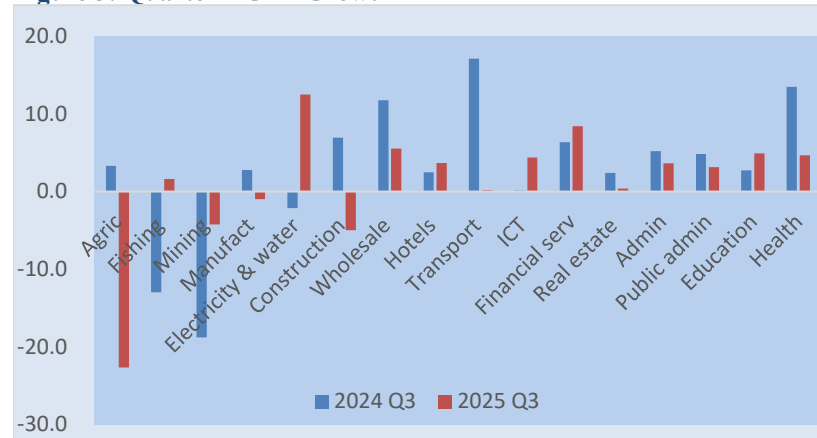
Gold prices increased on average by 44.1 percent in 2025, a significant rise relative to an average growth of 22.9 percent registered in 2024. Prices averaged to USD3075 per ounce in the first half of the year and traded at USD4313 per ounce in December 2025, the highest prices in 10 years and longer. The surge in prices was driven mainly by bolstered demand by central banks to store gold as a form of international reserves and by geopolitical tensions and expectations of interest rate cuts by the US Federal Reserve. Copper prices grew on average by 8.8 percent in 2025, compared to a 7.7 percent average growth recorded in 2024. The increase was influenced by global shift toward electrical vehicles, renewable energy (particularly wind and solar energy) and improved demand supported by the recovery in the real estate sector in China.

Zinc prices registered a slow growth of 3.2 percent on average in 2025, relative to an average growth of 4.7 percent in 2024, on account of improved supply in the global market. Crude oil prices contracted further in 2025, by an average of 14.4 percent, relative to a modest decline of 1.8 percent recorded in 2024. The Diamond IDEX declined by 11.9 percent between December 2024 to December 2025, with diamond prices falling from USD96.4 per carat at end of December 2024 to USD84.9 per carat at end of December 2025, on the back of lower demand and weak financial conditions in advanced economies.

3. DOMESTIC ECONOMY

The Namibian economy recorded a growth of 1.9 percent during the third quarter of 2025; a marginal slowdown compared to a growth of 2.1 percent recorded during the same period in 2024. Growth in the quarter under review was driven by increased output in the water and electricity sector, financial services sector and wholesale and retail sector, growing by 12.5 percent, 8.4 percent and 5.5 percent, respectively. In the corresponding quarter of 2024, the water and electricity sector contracted by 2.1 percent while wholesale and retail grew strongly by 11.5 percent, and financial services grew by 6.4 percent.

Figure 3: Quarter 2 GDP Growth



Source: NSA, 2025

The performance during the quarter under review is mainly attributable to tertiary industries, recording a growth of 4.1 percent in real value added, compared to a 6.1 percent growth recorded in the corresponding period of 2024. The increase in the tertiary industries was mainly observed in sectors such as financial services activities, growing by 8.4 compared to 6.4 percent recorded in the same period in 2024, and wholesale and retail trade sector slowed down to 5.5 percent in this quarter relative to 11.7 percent recorded corresponding quarter in 2024. The education and health sectors recorded strong growth during the third quarter of growing by 4.9 percent and 4.7 percent, respectively.

Secondary industries registered a slowed growth of 1.2 percent during the period under review, relative to a growth of 2.2 percent posted in the corresponding quarter of 2024. This performance is driven mainly by the electricity and water sector that registered a staggering growth of 12.5 percent, compared to a decline of 2.1 percent witnessed in the same quarter of 2024, on the one hand, while on the other hand, the slowed growth is on account of poor performance in the manufacturing sector and construction sectors, which all contracted in this quarter by 1.0 percent and 5.0 percent, respectively, compared to registered growths of a growth of 2.8 percent and 6.9 percent in the corresponding quarter of 2024.

Primary industries recorded a decline of 6.9 percent in the quarter under review, compared to a contraction of 14.1 percent in the corresponding quarter of 2024. The contraction is on account of poor performance in the agriculture and mining sectors, which both contracted by 22.7 percent and 4.2 percent, respectively. The decline registered in the sectors is marked by a significant reduction in total animals marketed, as farmers continue to restock, as well as a decrease in production of diamond and metal ores except uranium.





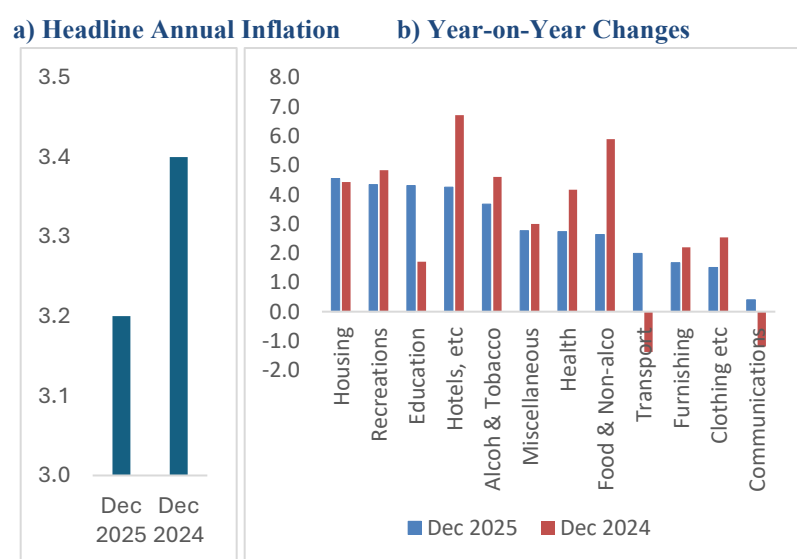
4. INFLATION

Annual inflation rate for December 2025 stood 3.2 percent compared to 3.4 percent recorded in December 2024. The main contribution to the annual inflation rate for December was from the Housing, water, electricity, gas and other fuels, which contributed 1.1 percentage points. This was followed by Alcoholic beverages & tobacco and Food and non-alcoholic beverages, each contributing 0.5 percentage points. The remaining categories contributed a combined total of 1.0 percentage points to annual inflation.

The Housing and utility baskets recorded an annual inflation rate of 4.5 percent in December 2025, compared to 4.4 percent in December 2024. The increase in annual inflation for this category was mainly driven by price increases in the sub-components Electricity, gas and other fuels, which increased from 1.4 percent to 4.5 percent. Conversely, water supply and sewerage services registered a bigger annual reduction in prices, from 4.4 percent in 2024 to 1.3 percent in 2025.

The annual inflation rate for alcohol beverages and tobacco category stood at 3.7 percent in December 2025 compared to 4.6 percent recorded in the corresponding period of 2024. The alcoholic beverages subcategory slowed to 3.3 percent in December 2025, relative to 4.3 percent increase recorded in December 2024. This moderation was mainly driven by lower price increases for white spirits from 5.2 percent to 2.3 percent, and for sparkling wines/champagnes from 7.6 percent to 4.5 percent as well as for liqueurs from 5.0 percent to 2.8 percent. Annual inflation rate for tobacco category increased to 5.3 percent in December 2025, slightly lower than the 6.1 percent increase recorded in the same period of 2024, mainly attributed to a reduced rate of increase in pipe tobacco prices from 13.3 percent to 7.9 percent.

Figure 4: Consumer Price Index – December 2025



Source: NSA 2025

The Food and non-alcoholic beverages category recorded an annual inflation rate of 2.6 percent in December 2025, down from 5.9 percent registered in the same period of 2024. The main cause for this slowdown was a deceleration in the inflation rate for all subcategories. The Bread and cereals recorded a deflation of 0.5 percent, compared to an inflation of 6.7 percent witnessed in December 2024. The decline in the inflation rate for this category was mainly driven by changes in the prices of

rice from 14.1 percent to 1.1 percent, maize meal/grain from 8.7 percent to a deflation of 0.3 percent and bread from 7.2 percent to a deflation of 1.4 percent. Oils and fats recorded an annual inflation rate of 2.9 percent, down from 6.9 percent registered in December 2024. This slowdown was driven by moderate price increases in the price levels of butter from 8.0 percent to 2.0 percent, cooking oil from 7.7 percent to 2.6 percent and cooking fats from 1.9 percent to 0.9 percent during the period under review.

The Transport category recorded an annual inflation rate of 2.0 percent in December 2025, compared to a deflation of 1.4 percent observed in December 2024. The increase was reflected in the sub-component operation of personal transport equipment which rose from a deflation of 3.4% to 2.4 percent, driven mainly by higher prices increases in petrol or diesel, from a deflation of 7.2 percent to 1.5 percent. The Purchase of Vehicles recorded an annual inflation rate of 1.5 percent in December 2025, compared to 2.7 percent recorded in December 2024. The slow increase in the annual inflation rate was reflected in price levels of, motorcycles which slowed from 7.5 percent to 2.0 percent; and motorcars down to 1.5 percent from 2.5 percent during the period under review.

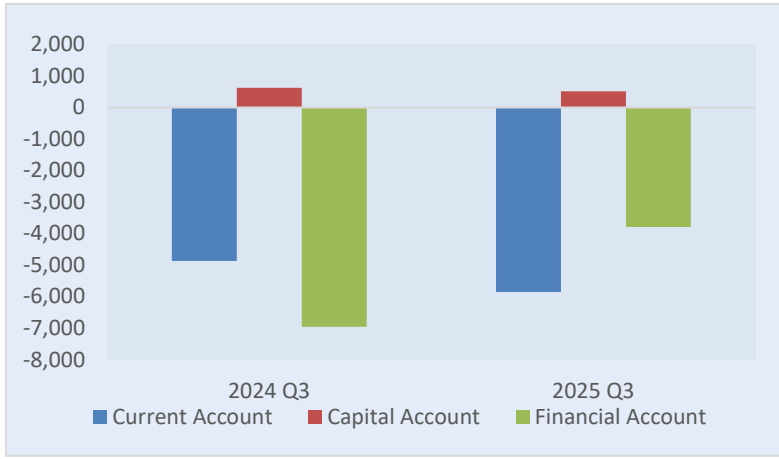
5. BALANCE OF PAYMENTS

The current account deficit has widened year-on-year, reflecting mainly the reduced secondary income inflows. The deficit on the current account has widened by 20.0 percent annually to N\$5.8 billion during the third quarter of 2025. The lower net inflows on the secondary income account, primarily due to a decline in SACU receipts contributed to the higher current account deficit on an annual basis. As a ratio to GDP, the current account deficit stood at 8.8 percent in the third quarter of 2025, relative to deficits of 7.8 percent registered in the corresponding quarter of 2024.

During the third quarter of 2025, the surplus on the capital account declined on an annual basis, primarily reflecting reduced inward capital transfer. Inflows on the capital account declined by 19.2 percent year-on-year to N\$509 million. The decline was due to lower capital transfers directed toward fixed investment extended to non-government organizations during the third quarter of 2025. Furthermore, the third quarter of 2025 registered increased net borrowing, driven by a wider current account deficit. Net borrowing (the sum of current and capital account transactions) increased by 25.9 percent on an annual basis to N\$5.3 billion.



Figure 5: Balance of Payments Aggregates (million)



Source: BON, 2025

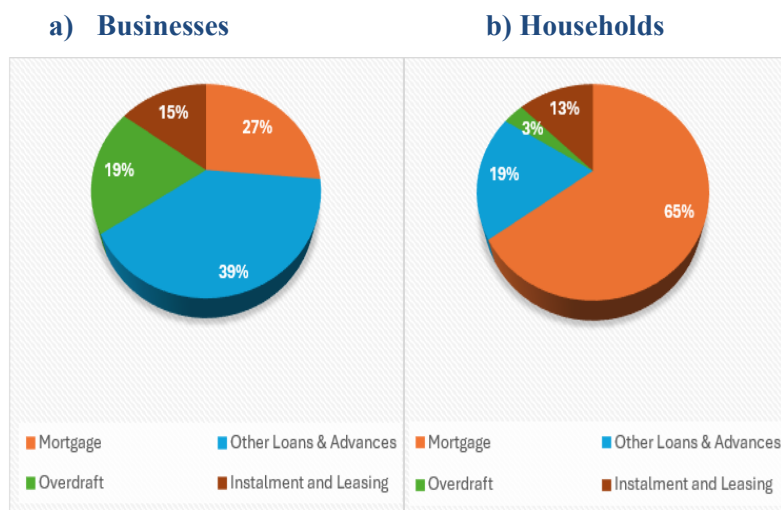
Namibia's financial account recorded a lower net borrowing from the rest of the world during the third quarter of 2025 compared to the corresponding period of 2024. The financial account registered a lower net inflow of N\$3.8 billion, relative to an inflow of N\$7.0 billion observed in the same quarter of the preceding year. The yearly decline in net inflows was largely driven by significant outflows in portfolio investment. The financial account balance for the period under review stood at 5.7 percent of quarterly GDP, a decline from 5.2 percent recorded in the previous quarter.

6. PRIVATE SECTOR CREDIT EXTENSION

At the end of December 2025, Private Sector Credit Extension (PSCE) stood at N\$124 billion, reflecting a 0.6 percent increase from the levels recorded in December 2024, which stood at N\$123 billion. The growth in PSCE is supported by a favourable mix of monetary policy and tax relief program. Credit extended to the Business Sector grew by 6.8 percent annually, mainly driven by an increase in instalment sales and leasing credit, which grew by 22 percent. On the other hand, mortgage loans credit to the Business Sector declined by 0.9 percent year-on-year.

At the end of December 2025, other loans and advances credit accounts for about 39 percent of total credit to the business sector, followed by mortgage loans accounting for about 27 percent. Overdraft credit remains popular for the business sector, making up the third largest credit, amounting to 19 percent. This is a stark contrast to the overdraft credit in the household sector, as it makes up only 3 percent of total credit.

Figure 6: Private Sector Credit Extension per sector



Source: Bank of Namibia, 2026

Credit extended to Households recorded an annual growth rate of 2.7 percent annually, driven mainly by a 15.5 percent growth year-on-year, in instalment & leasing credit on the one hand, while being pulled down by a decline of 10.7 percent in overdraft credit. The moderation in credit extended to households was reflected in the slow uptake of mortgage credit, which grew only by 0.2 percent on an annual basis, this is albeit mortgage loan accounting for more than half of total household credit, about 65 percent.

SPECIAL FEATURE: THE 2026/2027 NATIONAL BUDGET

1. Introduction

The 2026/27 National Budget was tabled in the National Assembly on the 25th of February 2026, by Honourable Ericah Shafudah, Minister of Finance. The theme for the budget focuses on **"People, Productivity, and Prudence"**, an action to nurture human potential, boost growth drivers, and ensure fiscal sustainability. The size of the budget is N\$106 billion, which represents 37.1 percent of GDP, against a total projected revenue of N\$89.6 billion. The budget is stable, relative to the N\$105.9 billion in the 2025/26 budget. The current budget presents a deficit of N\$15.7 billion or -5.5 percent of GDP. Total debt for the 2026/27 is projected to rise to N\$193.4 billion, equivalent to 67.8 percent of GDP from N\$174 billion of the 2025/26 budget. In addition, a primary balance of 0.2 percent (surplus) is estimated.

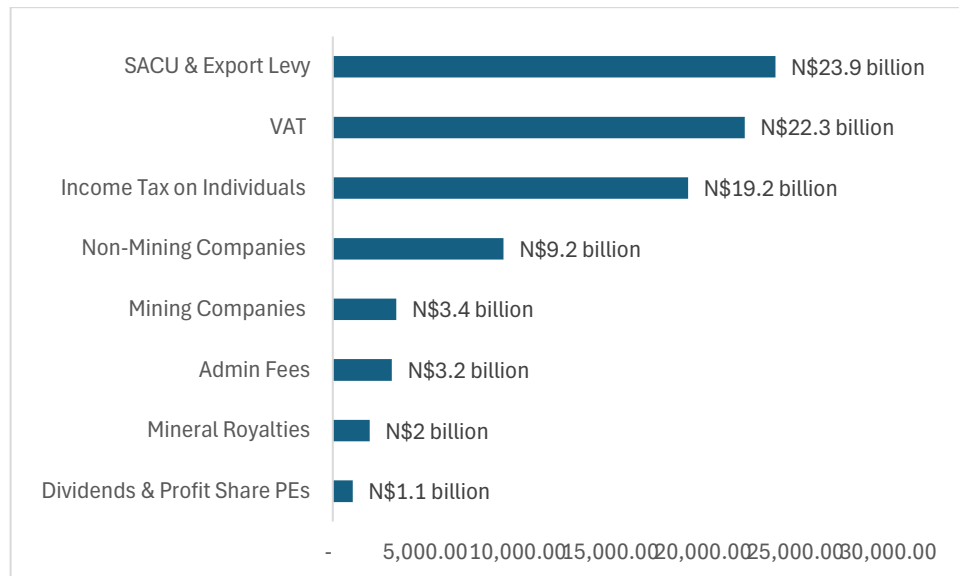
2. Key Budget priorities

Economic growth is estimated at 3.1 percent 2026, driven mainly by the Construction, Wholesale and Retail trade, Transport and storage as well as financial services sectors. This is a marginal growth, relative to the 2.9 percent growth estimated for 2025. Economic performance is directly linked to the size of the national budget, because it is a good measure of total income for the economy. Dwindling economic activities, especially in primary and secondary industries calls for expenditure rationalisation, in order to remain prudent and achieve fiscal sustainability. Below are some of key budget highlights:

2.1 Sources of Revenue

For the 2026/27 budget, revenue is estimated at N\$89,8 billion, an increase of 2.5 percent from the revised estimated outturn of N\$ 87.4 billion for the FY2025/26. Although tax revenue from mining companies as well as mineral royalties dropped due to declining mineral production, domestic tax revenue continues to drive the revenue trajectory, and is projected to slightly increase in the near term. Below are some major revenue sources for the 2026/27 budget:

Figure 1: Major Revenue Categories



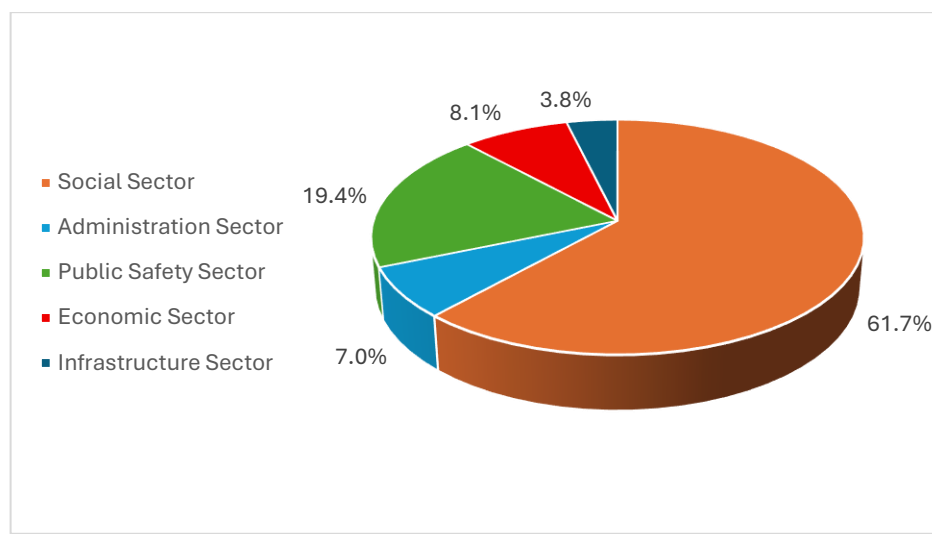
2.2 People-centered Spending

Notwithstanding the constrained fiscal space, the budget remains cognisant of essential social and developmental commitments. Key social spendings include:

- Subsidized Tertiary education: N\$2.8 billion
- Civil Servant Salary structure enhancement: N\$1.7 billion
- Mitigating personnel shortfall for Magistrates and Judges: N\$78 million
- Recruitment of Health Professionals: N\$259 million
- Recruitment of the National Correctional Service: N\$108 million
- Improvement in Public Office Bearers basic pay and benefits: N\$58 million
- Total social grant across all categories: N\$ 7.3 billion

Within total expenditure for the budget, about N\$6.5 billion is earmarked for state-funded development projects. This allocation is aimed at making high impact investment that will create positive spillover economic effects, generate decent employment, drive economic growth and uplift living standards. Overall share of allocation of funds per sector for the budget is as follows:

Figure 2: Allocation Share of Funds per Sector



The Social sector, which comprised education, health, social and youth empowerment received N\$54.3 billion, about 62 percent of total budget. Notable allocations in this sector include Education with N\$28 billion and Health with N\$13.1 billion as well as social grants worth N\$7.3 billion. The Public Safety sector received N\$17 billion, about 19 percent of total budget. This includes N\$8.1 billion to Home affairs, Immigration and Safety & Security as well as N\$7.5 billion for Defence. The Economic sector received N\$7.1 billion, which represents about 8 percent of total budget, followed by the Administration sector and Infrastructure sector receiving N\$6.1 billion and N\$3.3 billion of total budget respectively.

2.3 Tax Reforms

Namibia's reform agenda is anchored in a clear commitment to sustainable economic growth, fiscal resilience, and inclusive development. The proposed measures seek to modernize the tax system, strengthen transparency and fairness, and enhance the country's competitiveness as an investment destination

New tax proposals include:

- Adjust the Income Tax brackets to reduce fiscal drag and improve fairness.
- Review and update depreciation allowance (capital allowance) rules to support business investment and economic growth.
- Special Economic Zones (SEZ) – Review and update the introduction of tax incentives to ensure they deliver on intended investment and job creations.
- Introducing mandatory disclosure of tax planning schemes to improve transparency and deter avoidance.
- Introduce anti-avoidance measures targeting hybrid mismatches that erode the tax base.
- Explore tax incentives, such as incentives for the creative industry, for employment creation
- Review and introduce tax incentives for International Sports events
- Introduce ring fencing of losses by traders
- Update the taxation of fringe benefits to reflect current compensation practices, improve equity between cash and non-cash remuneration, and strengthen compliance
- Modernizing the VAT Act and e-invoicing by updating VAT legislation for clarity and compliance
- Review the VAT zero-rate basket
- Clarify Corporate restructuring property within group structures that allow for neutral mergers, acquisitions and restructuring under certain conditions.
- Review and adjust residential property tax bands to reflect market values and prevent bracket creep
- Explore the introduction of additional levies on the fishing industry, that reflect below average corporate taxes
- Review of Minerals export levies within the overall sum of mining taxes

3. Conclusion

The 2026/27 National Budget has a primary goal of striking balances between ambition and affordability, between growth and stability and between today's needs and tomorrow's obligations. It targets macroeconomic stability, debt sustainability and value for money, while ensuring critical social and economic investments. It lays the foundation for sustainable growth and job creation for the near term, through disciplined budgeting, improved project selection and outcome-based spending.



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