

Economics | Namibia

Namibia Insights



GROUP ECONOMIC UNIT

28 August 2025



Background and outlook

The political environment remains stable following SWAPO's victory at the November 2024 polls. However, the party's further electoral decline highlighted societal discontent with persistent socioeconomic issues. Real GDP slowed for a second consecutive year in 2024, with the drag emanating from the primary sector. Dry conditions hurt crop production, while unfavourable global factors depressed diamond production and exports. The economy started 2025 on a softer note, with growth easing to the slowest quarterly rate since the post-Covid-19 rebound started in Q2 2021 due to contractions in agriculture, fishing and manufacturing. Inflation has remained below 6% since November 2023, and while it will creep higher during the remainder of this year, price pressures will be generally contained by improved food supply, stable fuel prices and a broadly steady exchange rate. We forecast CPI to remain within the 3–6% band over the coming 18 months. The Bank of Namibia (BoN) has cut its repo rate by a cumulative 100 bps since August 2024, with the last reduction in February 2025. Since then, the Bank has maintained the benchmark rate at 6.75% to reduce the gap with the South African repo. The BoN still has room to cut given the moderate inflation outlook and moderate domestic demand, while the South African Reserve Bank could ease further before the end of this year. Investment in the extractive sector will underpin the rising foreign direct investment, which is projected to remain robust at 13% of annual GDP between 2025 and 2028. Although the credit ratings remain well in non-investment grade, prospects for upgrades have risen.

THE POLITICAL OUTLOOK

The new government prioritises economic revival and public service efficiency

The government of President Netumbo Nandi-Ndaitwah, in office since March 2025, has moved quickly to revive the economy by promoting investment in key economic sectors. The objective is to diversify the economic base and stimulate job creation. The president has demonstrated a commitment to an efficient government and clean governance by implementing noteworthy administrative changes. The cabinet has been downsized from 21 ministers and 17 deputy ministers to 14 and 7, respectively, with several portfolios merged to reduce government bureaucracy and strengthen public administration. The new cabinet is predominantly made up of new ministerial appointees. The president has derided the high reliance on public sector employment, which burdens the state with a high wage bill while the efficiency of public services remains unsatisfactory. In April, the president dismissed a cabinet minister on allegations of his inappropriate behaviour and attempting to bribe his victim and a police officer.

To revive the economy and improve the effectiveness of the public service, the sixth National Development Plan (NDP6) (see Box 1) focuses on boosting economic growth and diversifying the economic base, strengthening the civil service and improving the socioeconomic environment. The NDP6 programmes will expand economic and social infrastructure and promote private sector investment in traditional sectors, primarily agriculture and mining, and new areas.

In her address to the Chamber of Mines' Mining Expo and Conference, President Nandi-Ndaitwah committed to finalising the Draft Minerals Bill, which seeks to simplify ownership rules and regulation of the mining sector. The bill will replace the 1992 Minerals Act. The president highlighted the sector's key role in employment and local procurement. New investment has remained robust, with exploration expenditure totalling N\$1.3 billion (US\$68.8 million) in 2024, 38.1% higher than in the previous year. Uranium and gold industries secured the largest share of new investments. Mining accounted for 13.3% of aggregate output in 2024, while employment in the sector rose by 14.6% to 20 843.

The government has prioritised public sector investment in the network industries, primarily transport and logistics, energy, bulk water and digitisation. Progress is being made in the high-impact renewable energy industry, as the country strives to lessen its reliance on hydroelectricity and power imported from the regional power pool. The US\$90 million, 100 megawatt (MW) Sores |Gaib solar PV power plant in the Karas region is due to be commissioned in 2026. The plant will add to the current solar power generation of 145 MW. The US\$100 million Otjikoto Biomass power station is also under construction and scheduled to come into operation in Q1 2027, while the US\$78 million, 100 MW Rosh Pinah PV plant will commence operations in Q1 2026. Therefore, the country is making strides in its objective to raise the contribution of renewable energy from the current 21% of total generation to 70% by 2030.

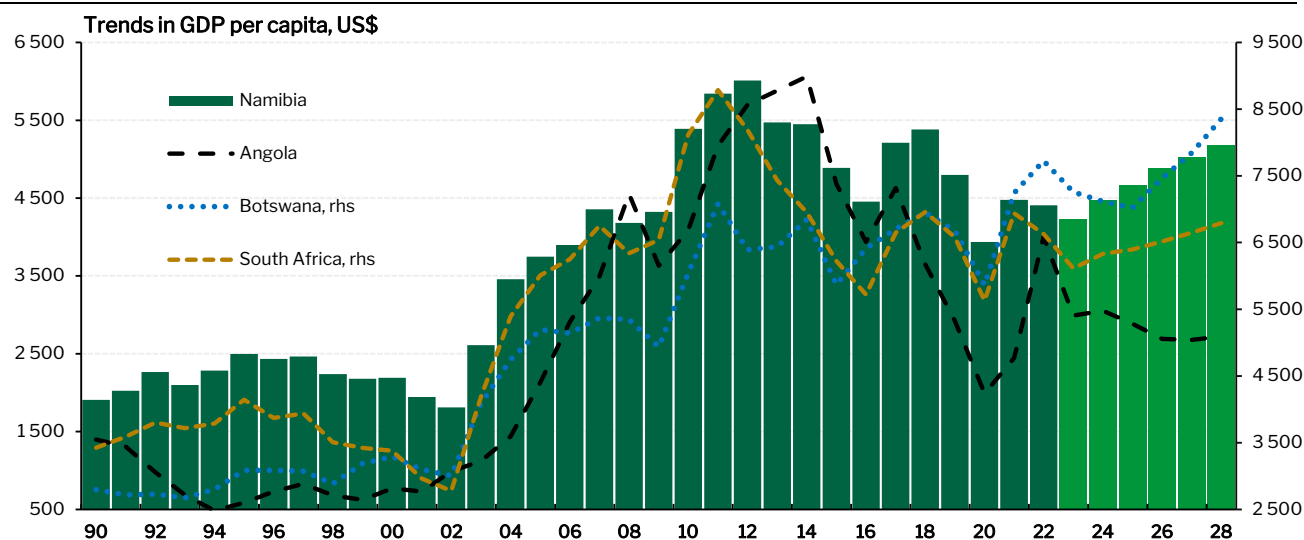
Namibia's climatic conditions and endowment with metals critical for the green energy transition make renewable energy viable, primarily solar and wind energy projects. Additionally, the country's position as a significant uranium producer – the third largest producer in the world – raises the potential for nuclear power. However, the associated cost probably makes the project not financially feasible at this stage.

Income reclassification after the economic downturn in the 2010s depressed GDP per capita

Following almost a decade of lacklustre economic growth that reduced GDP per capita substantially, the World Bank has downgraded Namibia to a lower-middle-income country, after having classified it as an upper-middle-income country since 2008. According to International Monetary Fund (IMF) data, GDP per capita, a measure of national income per person based on US dollar GDP, fell by 34.5% between 2012 and 2020. The downward trend in GDP per capita from the early 2010s was not unique to Namibia, with Angola (-67.2%) and South Africa (-35.9%) also experiencing economic downturns that eroded the size of the economy relative to the population. Botswana's GDP per capita was range-bound for most of the decade.

The IMF forecasts an upturn as economic growth rebounds, with a gradual rise in GDP per capita to almost US\$5 400 in 2030. That trend would put Namibia back in the upper middle-income bracket by 2028.

Chart 1: A steady decline in GDP per capita since 2012, with the recovery from 2017 disrupted by Covid-19 effects



Source: International Monetary Fund, estimates from 2023

ECONOMIC GROWTH OUTLOOK

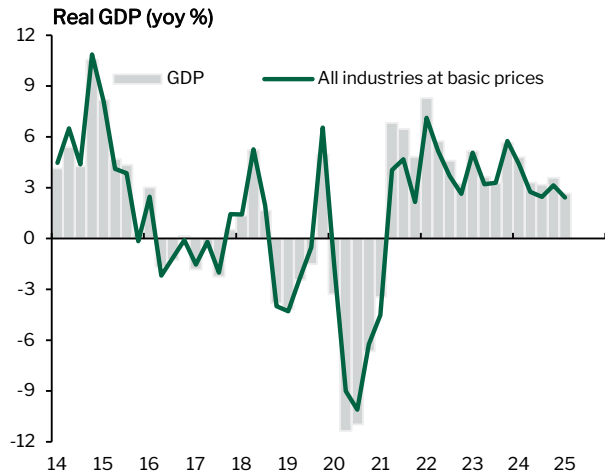
Growth will slow due to a struggling diamond sector; however, robust uranium demand will provide a notable boost

Economic growth moderated further in 2024, with real GDP growth easing to 3.7% in 2024 from 4.4% in 2023 and 5.4% in 2022. The main drag came from the primary sector as output contracted successively between Q2 and Q4. The dry weather conditions in key agricultural areas hurt crops, although the downside was restricted by higher livestock slaughtering. Fishing declined throughout the year, dipping by a sharp 13% yoy in Q3, while mining and quarrying dropped in the first 2 quarters and rebounded only marginally in the second half of the year. The drag from mining largely reflected lower diamond volumes and prices, due to softer demand from key markets and intensifying competition from lab-grown alternatives.

The secondary and tertiary sectors propped up the economy. Manufacturing dipped marginally in Q1 2024 before recovering gradually in the remainder of the year, while the electricity and water industry lost momentum only in the second half of 2024. Construction also picked up in the final 3 quarters of 2024, although overall industry activity was still lacklustre following 8 years of a deep downturn. In services, the steady growth was broad-based across industries, with the main boost coming from wholesale and retail trade, transport and storage, financial services, and health.

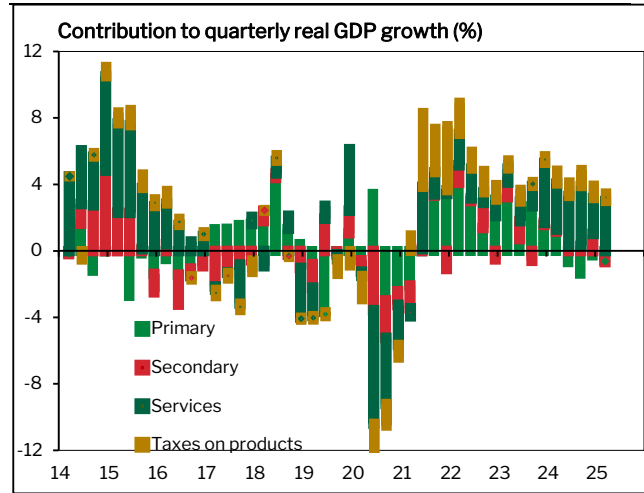
The latest quarterly data shows that the economy started 2025 on a softer footing. Real GDP growth slowed to 2.7% yoy in Q1 compared to 4.8% in Q1 2024. The primary sector remained the main detractor of aggregate economic growth for a fourth consecutive quarter, contracting by 3.1% yoy. Agriculture and forestry (-20.1%) was the main drag as livestock marketing slumped by 27.3% yoy when compared with an expansion of 11.6% in Q1 2024, while fishing was down by another 8.7% (the fifth consecutive quarter of decline). Mining and quarrying showed signs of revival, with the value of its output expanding for the second successive quarter after dropping in Q2 and Q3 2024, bolstered by strong growth in uranium and metal ores production. Uranium contributed the most to the upside, increasing by 36.5% as favourable prices and global demand encouraged higher production levels. Metal ores were up 7.1%, driven by an increase in the production of zinc and gold. Diamond production contracted by 4% yoy amid the persistent headwinds in the industry globally.

Chart 2: Slower growth in Q1 2025 ...



Source: Namibia Statistics Agency, Nedbank

Chart 3: ... as weak primary output remained the main drag



Source: Namibia Statistics Agency, Nedbank

The contraction in manufacturing (-1.7% yoy) more than offset the mild expansions in electricity and water (0.5%) and construction (2.5%). As a result, secondary sector output was down by 0.7% yoy in Q1 after expanding by 0.9% in Q1 2024. The services sector was once again the positive contributor, with activity expanding by 5.1% yoy in Q1 2025 compared with 4.8% in Q1 2024. The main boost came from health (11.4%), wholesale and retail trade (6.5%), financial services (6%) and transport and storage (4%). Real estate and professional services continued to expand slowly, with the quarterly growth rate below 3% since Q2 2021.

Table 1: Quarterly GDP change, constant prices

Sectors/Industries	yoy %					% contribution
	2024				2025	Q2 '24 to Q1 '25 average
	Q1	Q2	Q3	Q4	Q1	
Primary sector	5.9	-3.4	-8.1	-1.5	-3.1	18.5
Agriculture and forestry	8.2	2.2	3.3	-3.4	-20.1	3.7
Fishing	-1.7	-7.9	-13.0	-9.9	-8.7	2.8
Mining and quarrying	7.6	-4.3	-9.6	0.9	2.0	12.0
Secondary sector	0.9	2.0	2.1	7.1	-0.7	14.3
Manufacturing	-0.9	1.3	2.7	8.1	-1.7	10.2
Electricity and water	8.3	5.3	-2.1	-2.4	0.5	2.8
Construction	-1.0	1.2	6.9	23.1	2.5	1.3
Tertiary sector	4.8	5.3	6.0	3.7	5.1	58.2
Wholesale and retail trade	10.1	9.1	11.7	6.2	6.5	10.0
Hotels and restaurants	2.7	5.4	2.5	4.3	1.6	1.6
Transport and storage	8.0	16.2	16.1	5.9	4.0	2.9
Information and communications	4.9	0.4	0.1	1.0	2.5	2.2
Financial services	4.7	9.1	6.4	3.5	6.0	7.1
Real estate and professional services	1.4	1.6	1.8	2.2	1.9	6.5
Public administration	3.1	4.3	4.8	4.5	3.7	11.2
GDP	4.8	3.3	3.2	3.6	2.7	

Source: Namibia Statistics Agency, Nedbank

The overall domestic environment is generally positive due to muted inflation, lower interest rates and improved power supply. In the primary sector, more favourable weather conditions have lifted agricultural activity, with the harvest recovering significantly (Table 2). However, livestock marketing, which accounts for two-thirds of total farming activity according to Namibia Agricultural Union data, will remain subdued for the remainder of the year as farmers rebuild their herds following last year's drought-induced slaughtering, keeping overall agricultural output subdued. In mining, uranium production will expand further, underpinned by robust global demand, while favourable gold prices will continue to prop up the industry. On the downside, the contraction in diamond production could deepen amid persistent demand headwinds.

Table 2: Namibia crop production

Crop	5-yr average (2020–2024)	2023/24	2024/25	2025/26	% Change	
	'000 tons	'000 tons	'000 tons	'000 tons	2025/26 vs 2024/25	2025/26 vs 5-yr average
Maize	77	106	40	75	87.5	-2.6
Wheat	13	25	20	25	25.0	53.8

Source: United States Department of Agriculture Foreign Agricultural Service

In the secondary sector, public sector and government-backed infrastructure projects will ensure momentum in construction, which is in the early stages of a turnaround. Favourable rainfall patterns will boost the Ruacana hydropower plant's electricity generation. Tertiary sector activity will remain robust, as lower inflation boosts real consumer incomes and underpins firm growth in wholesale and retail trade, transport and storage, and the education subsectors. The hotel and tourism industry is benefiting from rising global long-haul travel and efforts to simplify the issuance of visas. Hotel occupancy rebounded to above 55% in recent months. Lower interest rates will support financial services and real estate activity.

On the expenditure side, steady increases in government expenditure (GCE) since Q4 2023 have underpinned final consumption expenditure (FCE). Personal consumption expenditure (PCE), which accounts for just over two-thirds of aggregate domestic demand, normalised in the second half of 2024 after tax relief had boosted PCE growth to a quarterly average of 29.9% yoy between Q4 2023 and Q2 2024.

We forecast consumption expenditure to gain traction as income gains, subdued inflation and lower borrowing rates prop up consumer spending. Moderate inflation will support real disposable income growth. Household income rose by a nominal 7.7% in 2024 after increasing by 11.5% in 2023. As a result, the household credit-to-disposable income ratio dropped to 38.6% in 2024 from 40.4% in the previous year, as consumer indebtedness increased at a slower pace. At the same time, lower interest rates and narrowing the spread between the repo rate and the prime lending rate (to be implemented by December 2025) will help improve debt affordability. The debt service ratio has eased further from 6.6% in 2023, following the BoN's interest rate cuts since August 2024.

Chart 4: PCE to be lifted by low borrowing rates

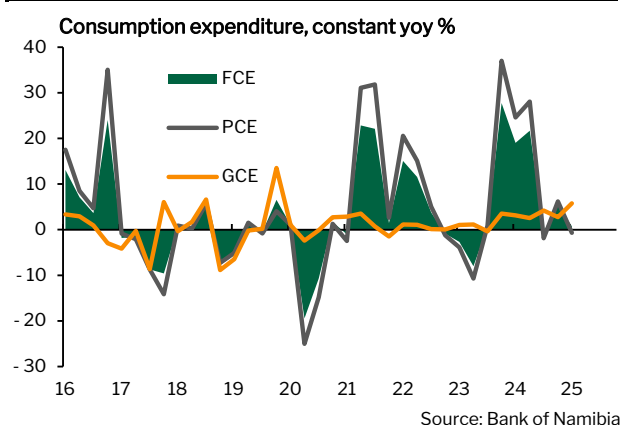
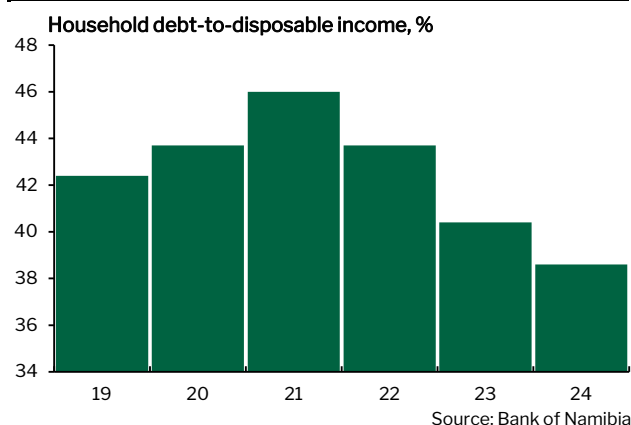


Chart 5: Household indebtedness has moderated



Gross fixed capital formation, which captures infrastructure investment, will rebound sustainably as public infrastructure spending expands in telecommunications, transport, ports, energy, water and housing. Net foreign direct investment (FDI) in the extractive industries will underpin private sector investment. FDI rose significantly between 2021 and 2024, to a cumulative N\$114.9 billion (US\$6.6 billion), buoyed by renewed investor interest in mining, energy and infrastructure. The positive trend

has continued in 2025, with FDI rising to N\$14.4 billion (US\$822.2 million) in Q1, from N\$10.9 billion (US\$622.3 million) in Q4 2024. The Economist Intelligence Unit (EIU) forecasts FDI at US\$1.9 billion in 2025 and US\$2.6 billion by 2029. FDI averaged 14.2% of GDP between 2022 and 2023, from a low 4.6% annually in the prior 2 years. BoN data shows that the universe of FDI source countries diversified in 2024 as more capital was disbursed from the Arab Gulf States, Portugal, France, and Canada, and among the traditional source markets of China, the United Kingdom and the United States.

The lower corporate tax rate for non-mining sectors should help to improve investment prospects in key sectors such as manufacturing, tourism and finance. The tax rate was reduced to 30%, effective 1 January 2025, and will drop to 28% in 2026. It has fallen progressively from 31% in 2024 and 32% in 2023.

Chart 6: Annual economic growth to remain above 3%

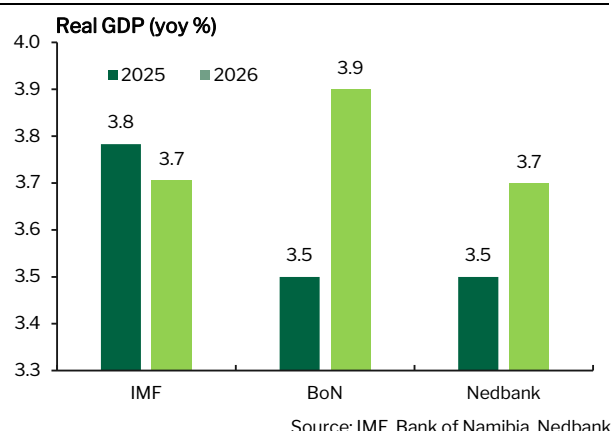
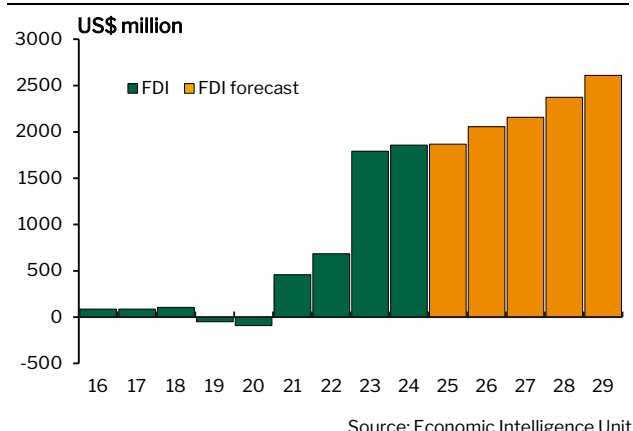


Chart 7: FDI projected to edge higher in the medium term



Although the economic outlook is broadly positive, the economy faces risks primarily from global factors. Declining demand for natural diamonds due to the proliferation of lab-grown stones, the impact of US trade protectionism, ongoing geopolitical tensions and a potential decline in Southern African Customs Union (SACU) transfers pose the main downside risks to real GDP growth. Fortunately, Namibia has limited direct trade exposure to the US, with less than 3% of its goods exported to Washington since 2015. However, the economy could be negatively impacted through the indirect trade channel due to its exposure to China and South Africa, economies with significant trade links with the US (see Box 2).

The IMF projects growth of 3.8% in 2025 and 3.7% in 2026. The Bank of Namibia (BoN) has revised its 2025 growth estimate to 3.5% from the 3.8% it projected in April, and revised the 2026 forecast marginally lower to 3.9% from 4%. Nedbank forecasts a marginal slowdown to 3.5% in 2025, due to the growth moderation in Q1, and a slightly firmer 3.7% in 2026.

PRIVATE SECTOR CREDIT EXTENSION

The turnaround in private sector credit to gain momentum as economic growth firms and interest rates stay low

Total private sector credit extension has gained traction since the start of 2025, lifted by a strong turnaround in corporate credit extension, while household credit demand growth has hovered around 2.5% yoy.

The upturn in corporate credit demand that started in mid-2024 gained traction in the first half of this year, buoyed by instalment and leasing finance. This category, utilised for equipment and machinery financing, expanded by 19.9% yoy in June to average 19.2% a month in the first half of 2025, although softer than 25.7% in the first half of 2024. The rise in overdrafts has also been encouraging, with the category jumping by 29.5% in June 2025. However, it is in the early stages of recovery after falling sharply since mid-2021. Overdrafts are utilised for financing operations, so the robust growth is an encouraging trend that will reinforce the economic upturn.

Household credit growth has been underpinned by a notable uptick in instalment sales and leasing, which rose by a monthly average of 14% yoy in the first half of 2025 from 6.2% in the first half of 2024. Demand for other loans and advances has also firmed, to an average of 7.2% a month from -0.7% in 2024.

However, demand for long-term credit has been disappointing. The largest category of private sector credit demand, mortgages, has increased at a moderate pace since the start of 2025, primarily due to a contraction in corporate mortgages, while household mortgage growth has softened despite lower interest rates. Home mortgages rose by a monthly average of 0.7% yoy in the first 6 months of the year, compared with 1.8% over the same period in 2024. Corporate mortgages have contracted for most of the period since January 2023, dropping by a monthly average of 2.1% yoy in the first half of 2025.

Chart 8: Credit demand buoyed by corporate loans ...

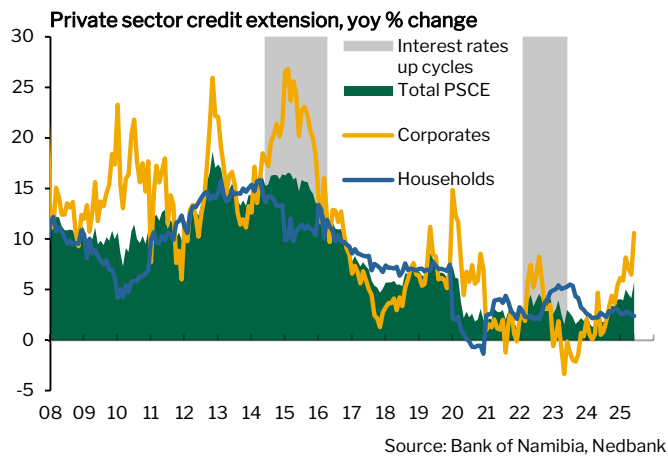


Chart 9: ... but mortgage growth remains lacklustre

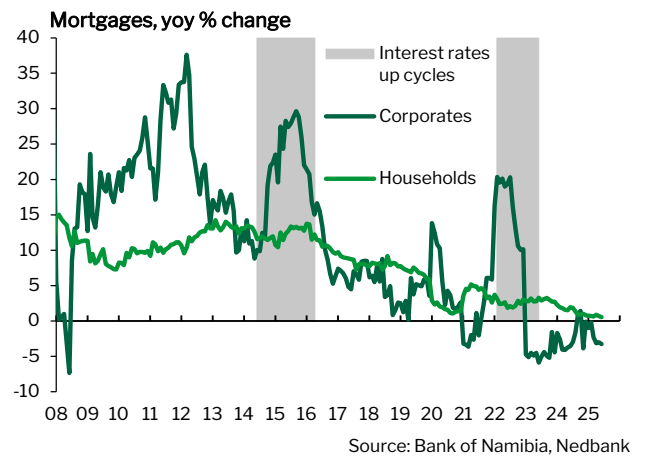


Chart 10: Corporate overdrafts rebounded off a low base ...

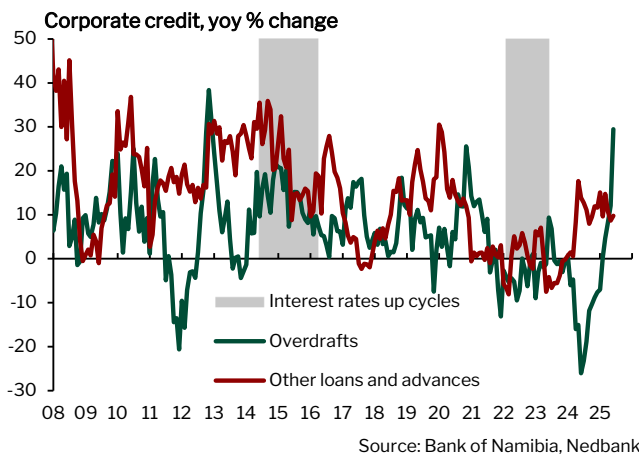
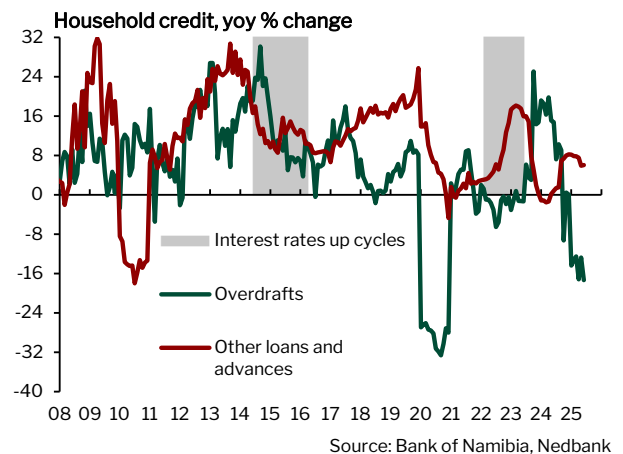


Chart 11: ... while households tapped unsecured credit



The **outlook for credit**: We expect firmer real income growth and lower interest rates to boost credit demand. The BoN still has room to reduce its repo rate further after cutting from 7.75% to 6.75% over the past 12 months. The BoN's directive for commercial lenders to reduce the repo-rate–prime-lending-rate gap by 25 basis points (bps) to 3.50% from 3.75% by the end of 2025 will also lower lending rates, further improving credit affordability. However, the BoN forecasts that structural factors such as high unemployment will keep property sales low, which will constrain demand for household mortgages. There have been pockets of strong property demand in areas with high investment activity, with this trend particularly strong in the southern region due to the oil and gas exploration. Lower borrowing rates, household tax relief, public service wage increases, and household and corporate tax relief will potentially sustain a broader uplift in residential property demand. However, limited demand for new commercial space will contain prospects for corporate mortgages.

Overall, we forecast total credit extension to rise by 7% in 2025, with higher corporate credit the primary driver. Total corporate overdrafts are on course to reach R12 billion in Q2 2026, exceeding the historical high of R11.8 billion in January 2021. exceeding the historical high reached in Q1 2021. Within household credit, instalment sales and leasing will remain the fastest growing category, boosted by the lower borrowing rates and rising disposable incomes.

INFLATION AND INTEREST RATE OUTLOOK

Inflation edged slightly higher in June, but price pressures will remain moderate throughout 2025

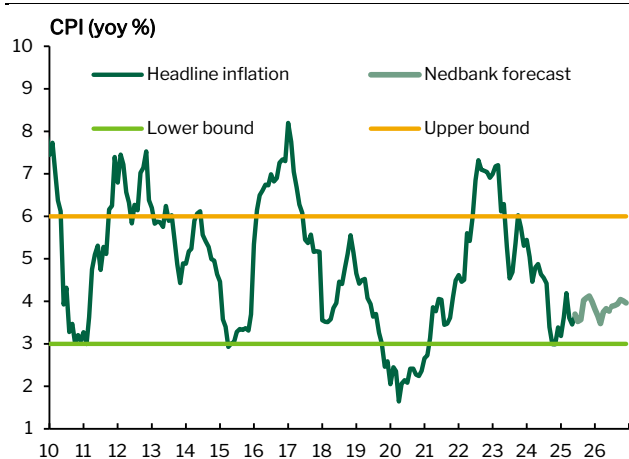
Price pressures have been broadly subdued since the **consumer price inflation** (CPI) rate fell within the 3–6% band in November 2023. Over the past 12 months, CPI dipped from 4.6% in July 2024 to 3% in October, edging moderately higher to a 7-month high of 4.2% in March, before easing to 3.5% in May. CPI rose marginally to 3.7% in June 2025 but eased again to 3.5% in July. The key CPI categories, which account for 71.7% of the price basket, have been broadly muted. Food inflation has increased marginally, averaging 5.9% a month in the first 7 months of this year, from 5.2% in 2024. Food prices have been relatively contained against the backdrop of the dry conditions in 2024, a benefit of low food inflation in South Africa, the primary source of Namibia's food merchandise. Price changes of alcoholic beverages and tobacco broadly mirrored food inflation over the past 12 months, hovering within the 5% to 6% band for most of the period. Housing, water, electricity and gas tariffs recorded the

lowest inflation rate, averaging 3.9% a month over the 12 months to July 2025. The lower fuel prices have subdued transport costs, which fell in 7 of the 12 months.

Although CPI has been broadly moderate, recent trends in some of the main categories are worrying, with price increases above the upper bound of the 3–6% band. **Food and non-alcoholic beverages**, which accounts for 16.5% of the inflation basket, rose to 6.4% in June from 5.8% in May before easing marginally to 6.1% in July. The quite notable increases in the prices of meat, fish, fruit, vegetables, and oils and fats reflected subdued local harvests and livestock supply, as well as higher food prices in key trade partner South Africa. Meat prices, in particular, were up by 10.3% from 9.8% in June, with beef (14.6%), mutton (12.2%) and minced meat (12.6%) recording elevated price increases. The drought effects and animal diseases – lumpy skin in Namibia and foot and mouth in South Africa – have raised meat prices in both countries. The Food and Agriculture Organisation's meat price index has trended higher since April, due to firm global demand for meat amid subdued supply growth. However, the higher meat inflation in Southern Africa amplifies the effect of supply shortages due to the idiosyncratic shocks. **Alcoholic beverages and tobacco** inflation fell to 6% in July from 6.6% in June. Encouragingly, inflation in housing and transport remained subdued. **Housing and utilities**, which accounts for 28.4% of the inflation basket, fell to 3.6% in July from 4.1%, while **transport deflation** continued for the fourth straight month amid lower fuel prices.

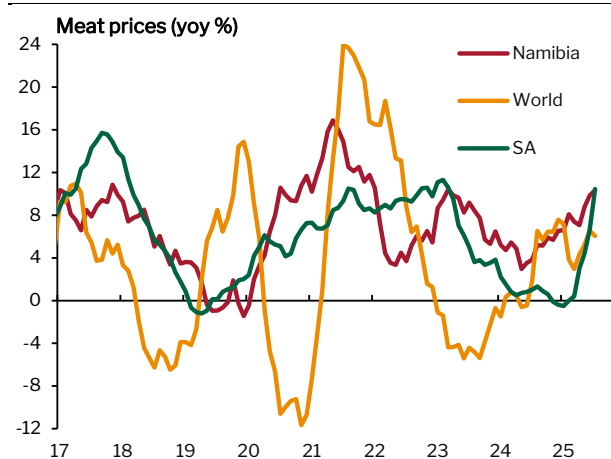
Core inflation, which excludes food and energy prices, has been moderate at around 4% since April 2024, easing to 3.9% in July 2025 from 4.2% in June.

Chart 12: We forecast CPI to remain muted



Source: Namibia Statistics Agency, Nedbank

Chart 13: Drought and disease effects on meat inflation



Source: Namibia Statistics Agency, Statistics South Africa, UN FAO

Weak domestic demand, softer global oil prices, muted domestic demand, and a resilient currency will help to keep price changes below 4.5%, barring a significant shock from the domestic front or offshore, during the remainder of this year and into next year. Demand-pull inflation will remain moderate amid still subdued credit growth and structurally high unemployment, which has subdued household income growth. The rebound in local crop production and a bumper harvest in South Africa will moderate the uptrend in food inflation. A major risk emanates from meat prices, which have been lifted by lower slaughtering in Namibia, as well as the lingering effects of animal diseases locally and in South Africa. Fuel prices will likely be broadly stable as global oil prices stay below US\$90 a barrel, and the exchange rate fluctuates within a narrow range.

Key risks to inflation are primarily from global factors. A surge in oil prices due to geopolitical tensions would raise fuel prices and food production costs. A significant slowdown in global growth and higher global risk aversion would also weaken the exchange rate significantly, exerting upward pressure on local prices.

We project **CPI to average 3.8% in 2025 and 4% in 2026**, from 5.9% in 2024. The BoN has revised its forecasts to 3.8% and 4.2%, from 3.9% and 4.3% for the 2 years, respectively.

The BoN kept the repo rate flat to narrow the gap with the South African rate

The BoN's Monetary Policy Committee (MPC) maintained the repo rate at 6.75% at its August policy meeting, with the decision motivated by the objective to narrow the interest rate differential after the South African Reserve Bank (SARB) reduced its repo rate to 7% in July. Since the start of its cutting cycle in August 2024, the BoN has cut interest rates by a cumulative 100 bps, with the last cut in February.

The MPC maintained an easing bias, stressing that the inflation outlook is still moderate, with CPI projected to remain below 4.5% in 2025 and 2026. Demand-pull inflation remains absent as domestic demand is still contained. Private sector credit

growth rose to a monthly average of 4.6% yoy in the first half of this year from a lacklustre 2% over the same period in 2024. Therefore, credit demand still reflects weak underlying demand momentum.

We anticipate the BoN will maintain the repo rate differential with the SARB at 25 bps, which would prompt a cut if the latter eased further this year. The real repo rate (repo rate less inflation) has averaged 3.1% a month since March, slightly above the 2.7% monthly average between January 2018 and December 2019, suggesting space for 1 more cut in the current cycle. The SARB move after the July cut will depend mainly on the extent of the easing by the US Federal Reserve (Fed) and the effect on the local exchange rate. More aggressive cuts in the US, of more than 25 bps, and further US dollar weakness would open the door for another reduction by SARB and the BoN.

In its August interest rates statement, the BoN MPC acknowledged the SARB's lowering of its preferred inflation target point to 3% from 4.5%, characterising it as a 'positive policy development ... to promote price stability and strengthen monetary policy transmission'. In our assessment, this is a clear indication that the BoN is amenable to keeping inflation at close to the lower end of the 3–6% band. We believe this is a prudent move as Namibia needs to maintain an inflation rate close to that of its largest trading partner.

Chart 14: Real interest rates still above pre-pandemic level

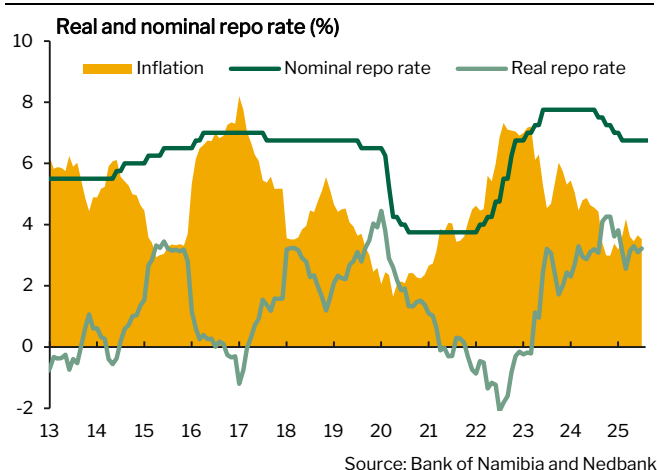
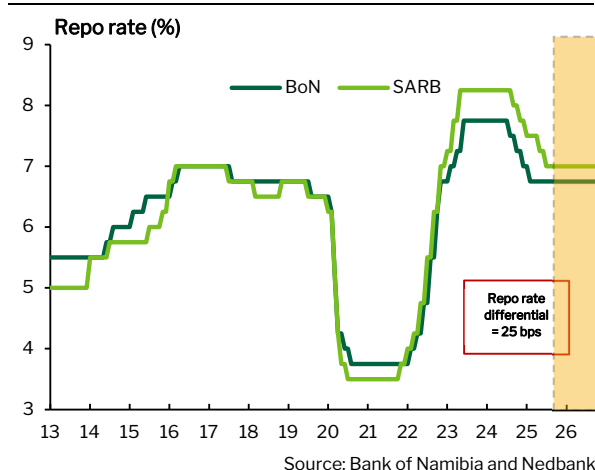


Chart 15: BoN to hold or cut further?



EXCHANGE RATE TRENDS AND OUTLOOK

The domestic currency will likely remain resilient

The Namibian dollar, pegged to the South African rand at 1 to 1, fluctuates in line with the rand's movements, which in turn are due to global and domestic factors. The local unit has benefited from broad-based US dollar weakness for most of 2025. Still, it remains vulnerable to shifting sentiment as geoeconomic and geopolitical risks continue to cause volatility in global markets, impacting emerging market currencies. Worries about the unpredictability of US trade policy have been the primary factor dictating the exchange rate. Although US trade policy is still evolving, the effective tariff rate seems likely to settle between 19–23%, substantially higher than the 2.5% before the Trump administration took over.

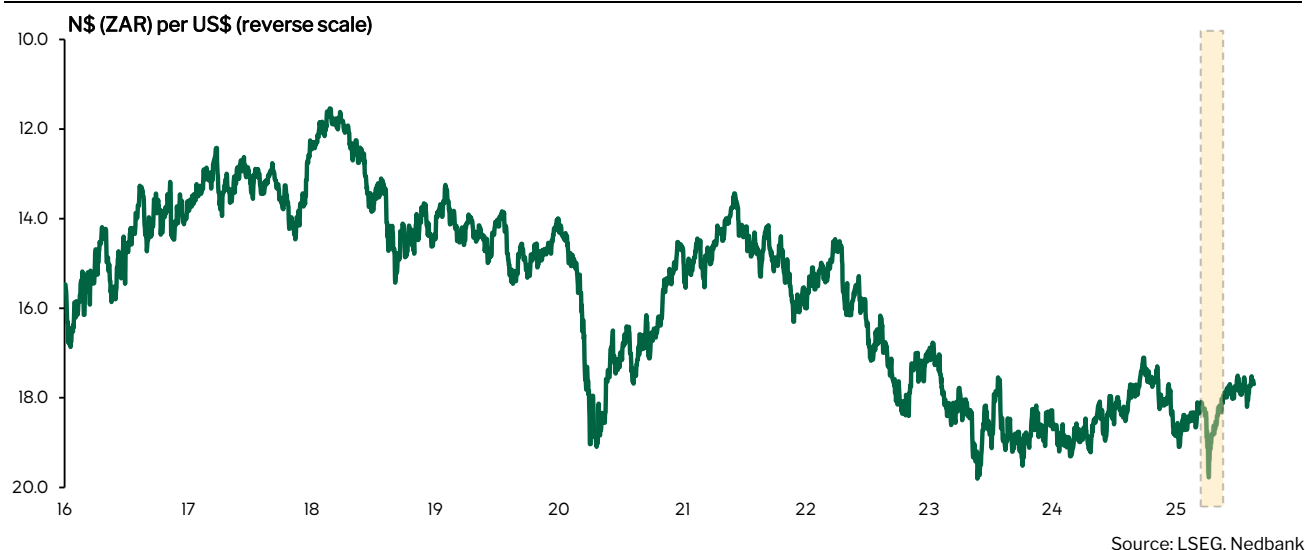
The exchange rate touched N\$19.75/US\$ on 8 April (shaded area in chart 16), a day before the US's 'Liberation Day' tariffs were due to become effective. The US government's suspension of the high import tariffs for 90 days and trade talks with key trading partners helped to temper market fears, with emerging market currencies pulling back from the weak levels. Although the Israel–Iran war in mid-July raised global risk aversion, the impact on emerging market assets was limited. The local unit has traded within a narrow range between N\$17.51/US\$ and N\$18.20/US\$ since 1 June, and it is currently around N\$17.70/US\$.

In our view, the future path of the dollar is the key to understanding the local currency's trajectory. The Fed is poised to resume its rate-cutting cycle later this year. The latest indicators point to a faster slowdown in US economic activity, with the labour market having softened significantly in Q2. Therefore, the Trump administration's tariffs will likely be a greater drag on growth than a shock on inflation, suggesting that the US dollar is unlikely to rebound significantly, limiting the downside for the Namibian dollar. However, it is also possible that the impact of the tariffs on US inflation could be worse than anticipated. If US inflation rises more than expected, the Fed will probably err on the side of caution and not cut interest rates aggressively. With most bad news priced into the greenback and interest rate differentials turning in its favour, the dollar could stage a more compelling comeback, placing the local currency under renewed pressure.

Developments in South Africa also drive the exchange rate, but we anticipate that global factors will have a greater influence on the Namibian dollar/South African rand movements than the South African political and economic landscape.

We forecast the exchange rate to end 2025 around N\$18.15/US\$, averaging N\$18.28/US\$ in 2025 from \$18.36/US\$ in 2024.

Chart 16: Namibia dollar/South African rand expected to remain resilient



EXPORTS AND IMPORTS TRENDS

Trade performance was subdued on declining diamond exports, but gold and uranium shipments tempered the downside

Lower mining earnings hurt aggregate exports in 2024. Merchandise exports dipped by 1.6% yoy from 5.5% growth in 2023. The downturn was predominantly led by declining diamond exports, with volumes dropping notably. The diamond industry has grappled with a profound structural shift since 2022, as competition from lab-grown alternatives intensifies. This shift has depressed demand for polished diamonds, while prices have been subdued. Uranium shipments, which have overtaken diamonds as Namibia's most valuable traded commodity, rose amid firm global demand for clean and reliable energy. Gold exports expanded as production grew and the precious metal's price reached record highs. In contrast to lower exports, imports surged in 2024, rebounding by 6.8% following a 2.1% contraction in the previous year, with purchases of consumables, machinery and electrical appliances, as well as chemical products, the main drivers.

Chart 17: Diamond export earnings subdued

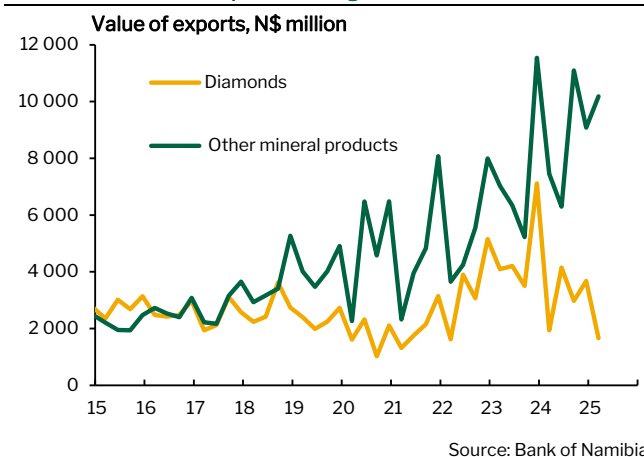
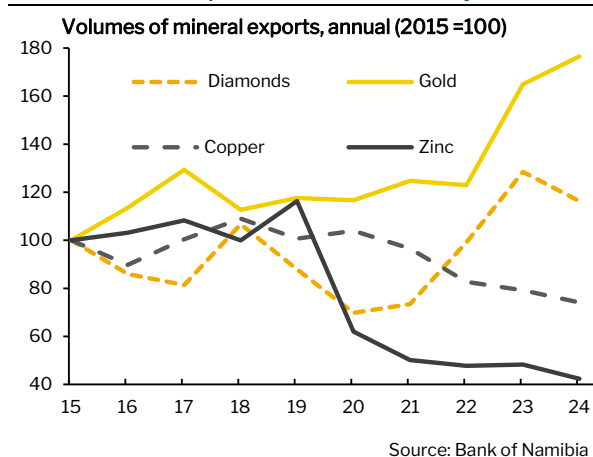


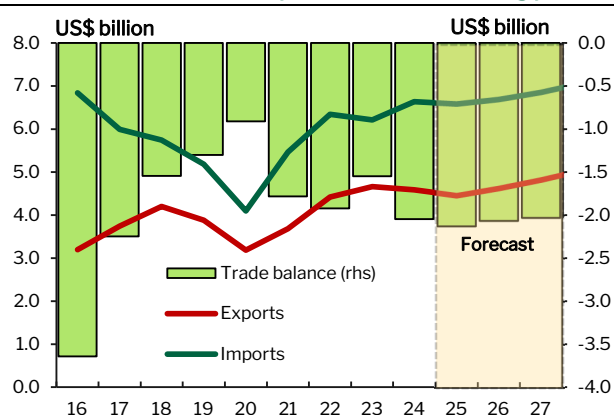
Chart 18: Lower export volumes of most key minerals



Exports posted a significant recovery in the first 5 months of 2025, up by 21.9% yoy when compared with a soft 0.5% in 2024. The strong growth was driven primarily by increased exports of uranium, ores and concentrates of base metals, as well as nickel ores and concentrates. Gold exports also contributed, while the drag from diamonds persisted. The most meaningful advance was recorded in February, with exports surging by a remarkable 71.3% yoy, the most since July 2022. While shipments advanced at a softer pace from March, they still expanded at double-digit rates. The trade balance switched to a surplus of N\$121.4 million in May, the first monthly surplus since April 2021. Although the recent trend is encouraging, it is unlikely the surplus will be maintained for the remainder of the year, given the subdued global growth due to the impact of the US trade tariffs, imports of machinery for mining, and Namibia's structural trade deficit, i.e. domestic production is generally insufficient

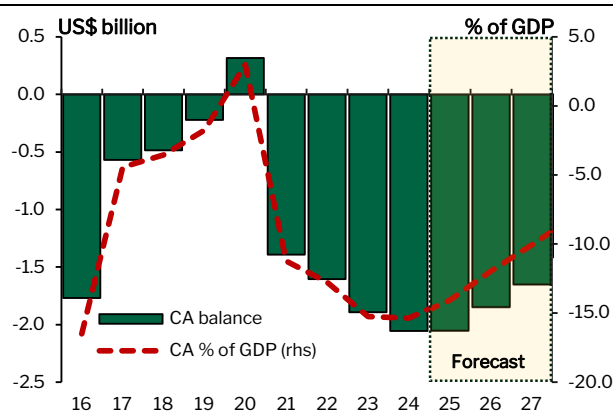
to offset secondary and tertiary sector imports. Encouragingly, exports will be bolstered by rising uranium and gold shipments, which will offset some of the downside pressures. The EIU forecasts exports at US\$4.5 billion in 2025 from US\$4.6 billion in 2024, while imports are projected to dip to US\$6.1 billion from US\$6.7 billion.

Chart 19: Trade deficit barely narrows in the coming years



Source: Economist Intelligence Unit

Chart 20: The current account deficit to remain wide



Source: Economist Intelligence Unit

The current account deficit is set to remain elevated mainly due to the trade deficit, strong demand for commercial services for the mining sector, and lower Southern Customs Union (SACU) receipts. Encouragingly, an ongoing recovery in tourist receipts and FDI in the extractives industry will provide some offsetting support. The BoN forecasts the current account deficit will stabilise at around 14.2% of GDP in 2025 from 15.3% in 2024, not far off from the 14% projected by the EIU.

FOREIGN CURRENCY CREDIT RATINGS

Steady ratings as the better economic outlook points to upgrades

The better macroeconomic environment has prompted **Moody's** to affirm its long-term foreign currency (LTFC) rating at B1, but revised the rating outlook to positive from stable on 5 April. Higher mining investment is sustaining the rebound in economic growth, while the potentially large investments in hydrocarbons and renewable energy would boost growth prospects during the remainder of this decade, with the faster economic expansion lifting fiscal revenue and helping to contain public debt.

Fitch Ratings affirmed its LTFC currency rating at BB-, with a stable outlook, on 23 May. The agency flagged strong institutional governance and flexible fiscal financing underpinned by a sizable long-term savings industry as the main credit-positive factors.

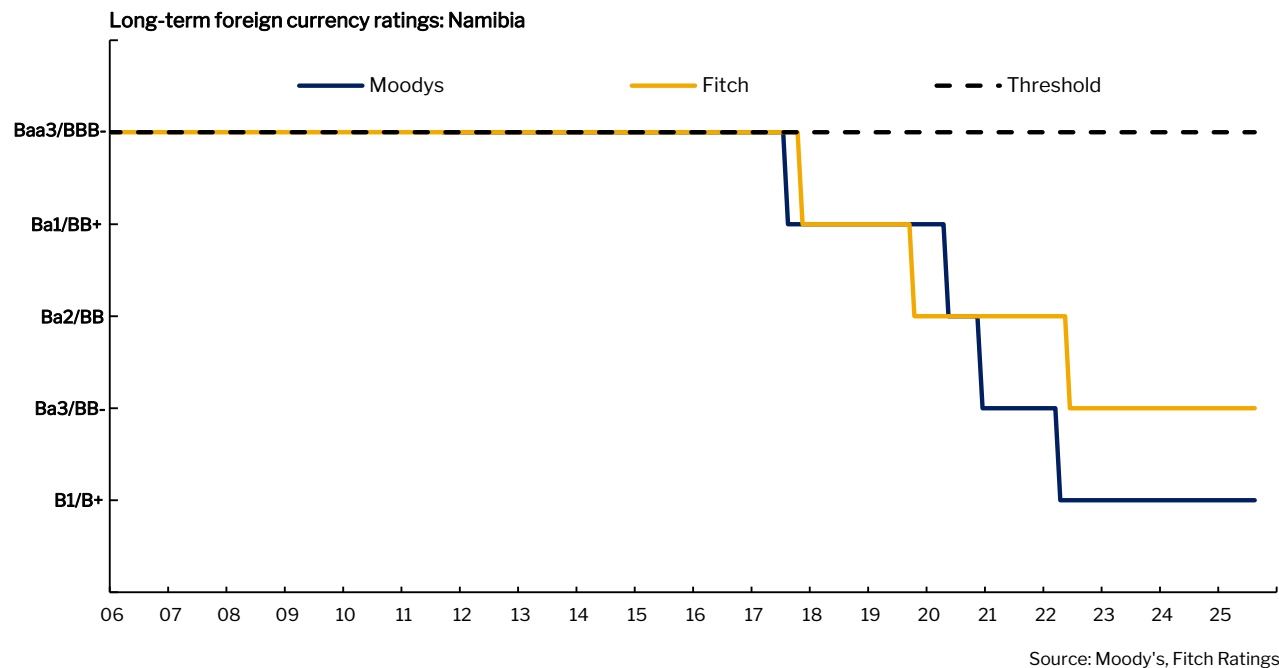
Nedbank believes that the prospects of a rating upgrade have risen, with such action highly likely over the next 18 to 24 months. The main credit-positive factors are the following:

- Stable governance and a strong constitutional framework, demonstrated by the smooth transfers of power, including the unplanned change in February 2024.
- Rising economic growth, underpinned by stable investment in mining and public sector infrastructure spending.
- Prudent debt management.
- Low guaranteed loans of state-owned enterprises at less than 4% of GDP.

The sovereign is due to repay the US\$750 million Eurobond in October 2025, with the principal settled mostly from the sinking fund. Rolling over a part of the foreign currency bond into local currency loans will benefit from the deep domestic and South African credit markets. Namibia's history of prudent debt repayment and the lower global interest rates environment, which has boosted appetite for frontier markets debt, would enable the country to issue a new Eurobond. However, the coupon would be above the 5.25% on the 2015 bond, as Namibia lost its investment-grade rating in 2017.

Nedbank estimates that **Namibia can issue a 10-year US dollar bond at the lower end of the 6–7% band** in the current environment. Nigeria (rated 'B') issued a US\$1.5 billion, 10-year Eurobond at 10.375% in December 2024, and Benin ('B+') placed US\$500 million at 6.48% in January 2025, while Kenya ('B-') issued US\$1.5 billion at 9.5% in February 2025.

Chart 21: Ratings maintained at low levels, but prospects for upgrades have improved



CONCLUSION AND MACROECONOMIC OUTLOOK

Namibia's well-established institutional governance and the new government's focus on economic revival will be a boon in a country that has grappled with weak economic growth and worsening socioeconomic conditions over most of the past 10 years.

The economy is on a cyclical uptrend as the return of regular rainfall supports agricultural output, while mining exports benefit from favourable prices of uranium and gold. Firmer services activity is buoyed by the higher tourist arrivals, faster growth in credit extension and rising transport and telecommunications activity. Lower interest rates are lifting demand for credit, particularly by corporates, with tax relief adding further support. Consumer expenditure has the added benefit of muted inflation, which is supporting real household income. Low household indebtedness and the structural decline in borrowing rates, as the spread between the repo and prime rates is narrowed, point to a pickup in household credit growth in 2026. The positive domestic environment faces downside risk from global shores. The high US import tariffs could dampen world trade activity, dampen demand for commodities and somewhat depress metal and mineral prices. If world trade contracts significantly, Namibia will likely not be shielded despite the country's limited exposure to the US, with the impact coming through trade linkages with China, Europe and South Africa.

We expect the annual economic growth rate to hover close to 4% in 2025 and 2026. New mines will lift domestic output, exports and employment in the outer years, potentially lifting the annual economic growth rate closer to 5%. Non-mining sectors will benefit from the improving operating environment and the lower corporate tax rate.

In addition to cyclical factors, the output base is expanding as fixed investment spending by the public sector and private entities rises. The expansion of energy generation infrastructure and water projects will support business operations. Investment in mining, particularly uranium and gold, will more than offset the effect of the decline in diamond volumes. Therefore, Nedbank expects the broader economic base to enhance the growth momentum in the medium term, helping to return the country to the higher middle-income category.

Box 1: Sixth National Development Plan (NDP6) targets and focus areas

The 4 pillars of the NDP6:

- Economic growth, transformation and resilience.
- Human development and community resilience.
- Environmental sustainability.
- Effective governance and public service delivery.

NDP6 2030 targets under pillar 1:

- Economic growth: 7% a year
- Employment rate: 75% (from 63.1% in 2023)

The target economic sectors:

Thematic area: Consolidating growth from current sources and boosting new sources of economic growth and development

- Agriculture value chains development.
- Agro processing.
- Manufacturing (boost contribution to GDP to 18% from 10.6%).
- Green hydrogen.
- Oil and gas.
- Nuclear industry.
- Micro, small and medium enterprise and informal sector upscaling.
- Private sector and development.
- Tourism and gaming.
- Mining and mineral beneficiation.
- International relations and trade.

Thematic area: Economic infrastructure for the future

- Transport and logistics.
- Energy infrastructure.
- Bulk water infrastructure.
- Digital infrastructure, emerging technologies and cybersecurity.

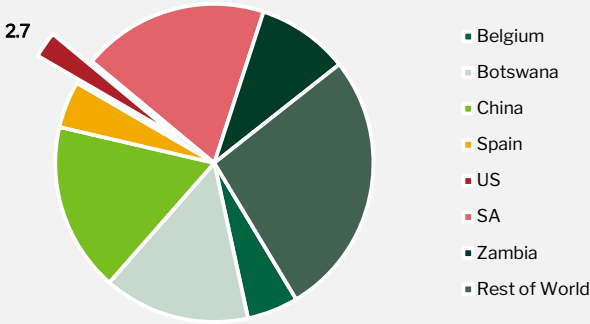
Box 2: Namibian economy partially insulated from the impact of US tariffs

The US government's implementation of high import tariffs will negatively impact exports to the US, with volumes likely to fall significantly. On 2 April 2025, US President Donald Trump announced his 'Liberation Day' tariffs, imposing a 21% 'reciprocal' tariff on Namibian merchandise. The high tariffs were suspended for 3 months on 8 April, although the baseline import tariff was set at 10%, i.e. all imports into the US would be levied at 10%. New rates came into effect on 7 August, with the tariff on Namibian goods reduced to a still-high 15%. The African Growth and Opportunity Act (AGOA) trade regime, of which Namibia is a beneficiary, has effectively ended as there has not been progress to renew its duration before it expires in September 2025. Therefore, duty-free access to the US market for African goods has been terminated.

Most countries will either be indirectly or directly impacted by the higher import tariffs. Through the direct channel, local producers face higher duties on exports to the US, making those goods more expensive, less competitive, and thus weighing on demand from the US. The indirect channel considers the impact of tariffs on a country's key trade partners, many of which have significant trade relationships with the US.

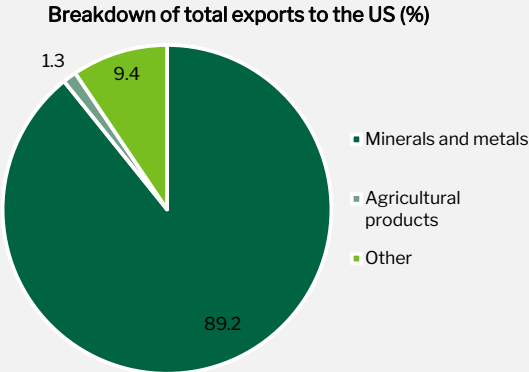
Namibia is largely insulated from the direct impact due to its limited trade exposure to the US, with only about 2.7% (US\$181.6 million and 1.3% of GDP) of total exports destined for Washington in 2024. In addition, the bulk of Namibia's exports to the US consist of mineral and metal products, including uranium and diamonds. Uranium exports are exempt from tariffs, but diamonds are not included on the exempt list and will face a 15% tariff. Nonetheless, the impact of the tariff on diamonds will be contained by the small exposure to the US.

Chart 22: The US accounts for only 2.7% of merchandise exports



Source: Namibia Statistics Agency and Nedbank calculations

Chart 23: Minerals and metals are the primary exports to US

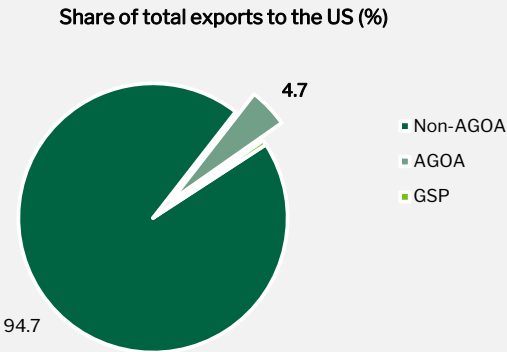


Source: USITC and Nedbank calculations

The country will be indirectly impacted through some of its key trade partners, South Africa and China, which have strong trade ties with the US. In 2024, the US accounted for 14.8% and 7.6% of China's and South Africa's exports, respectively. The 2 countries, in turn, absorbed approximately 36.1% of Namibia's merchandise exports in 2024. Therefore, a tariff-driven contraction in exports and aggregate growth of these economies would potentially dampen their demand for Namibian goods.

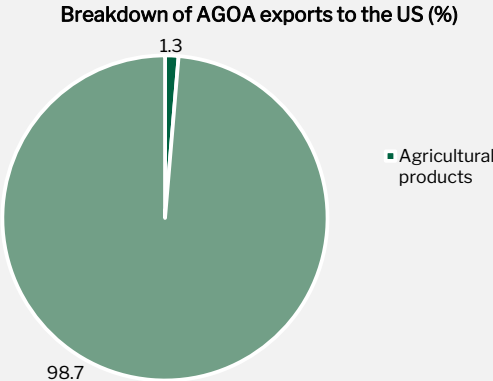
On the AGOA front, the risk is also moderate as only 4.7% of Namibian merchandise to the US benefits from AGOA, with the bulk being minerals and metal products, some of which are exempted from tariffs.

Chart 24: Only 4.7% of exports to the US benefit from AGOA



Source: USITC and Nedbank calculations

Chart 25: Minerals and metals are the main AGOA export



Source: USITC and Nedbank calculations

Namibia remains relatively insulated from the direct impact of US tariffs. The main risks lie in indirect effects via key trade partners like South Africa and China. The tariff exemptions on uranium and other key mineral and metal products offer further cushioning for the country. Overall, the broader economic fallout is expected to be modest but worth monitoring.

FACTS AND FORECASTS OF KEY ECONOMIC VARIABLES

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Size of the economy (USD)									
Nominal GDP (bn)	10.6	12.4	12.6	12.4	13.4	14.2	15.2	15.9	16.7
GDP per capita (thousand)	3938	4477	4407	4236	4472	4661	4888	5026	5181
Growth (% change)									
GDP (inflation adjusted)	-8.1	3.6	5.4	4.4	3.7	3.5	3.7	3.3	2.9
Merchandise & services export volumes	-18.5	3.0	2.7	6.4	2.7	1.6	0.9	0.9	1.4
Merchandise & services import volumes	-15.0	7.3	7.3	6.7	6.1	3.8	3.7	2.9	3.0
Balance of payments (USD bn)									
Exports	3.6	4.0	5.1	5.4	5.0	6.1	6.8	7.6	8.5
Imports	4.6	6.4	7.4	8.3	8.1	9.5	10.7	12.3	13.3
Trade balance	-1.0	-2.4	-2.3	-2.9	-3.1	-3.4	-3.9	-4.7	-4.8
Current account as a % of GDP	3.2	-11.2	-12.8	-14.9	-15.3	-15.2	-17.7	-23.5	-22.3
Foreign exchange reserves (USD bn)	2.2	2.8	2.9	3.0	3.4	2.8	2.9	3.0	3.1
Import cover (months)	5.4	5.1	4.7	4.3	4.9	4.0	3.8	3.4	3.4
Government finances (% of GDP)									
Total revenue	33.4	30.6	30.2	33.9	36.3	34.1	33.0	33.7	33.8
Total expenditure	41.5	39.3	36.6	37.0	39.9	39.3	37.7	37.4	36.7
Budget balance	-8.1	-8.7	-6.3	-3.1	-3.6	-5.2	-4.7	-3.8	-3.0
Primary budget balance	-3.9	-4.4	-1.9	1.8	1.6	-0.3	-0.1	1.2	1.6
Exchange rates (annual average)									
Namibian Dollar-US Dollar	16.58	14.89	16.45	18.48	18.36	18.28	18.05	18.31	18.81
Interest rates (end of period %)									
Prime lending rate	7.50	7.50	10.50	11.50	10.75	10.25	10.25	10.25	9.75
Inflation (annual average %)									
CPI	2.2	3.6	6.1	5.9	4.2	3.9	4.1	4.1	3.8

Sources: Nedbank, International Monetary Fund, Moody's, BMI

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