

1. Executive Summary

Namibia's annual inflation rate was 3.2% in January 2025, a decrease from 5.4% in January 2024 and 3.4% in December 2024. This decline was mainly attributed to favorable trends in the *Food & Non-Alcoholic Beverages*, *Alcoholic Beverages & Tobacco*, and *Housing, Water, Electricity, Gas & Other Fuels* categories. These categories make up 3 of the top 4 weighted categories, with *Transport*, experiencing higher levels than December 2024 but major decrease since last year (see Figure 2).

Headline inflation declined to 3.2%, while core inflation dropping to 3.7% from 3.8%. This marks a significant improvement from January 2024, when headline and core inflation were recorded at 5.4% and 4.5%, respectively. The continued moderation in inflation highlights favorable price trends observed over the past year-long period.

2. Analysis

Food & Non-Alcoholic Beverages

The Food & Non-Alcoholic category, accounting for 16.5% of the consumer basket, experienced a significant decline in its annual inflation rate, falling from 6.5% in January 2024 and 5.9 in December 2024 to 5.3% in January 2025. This was largely due to Fish reducing significantly from 6.0% in December 2024 to 3.5% in January 2025 and Oils & Fats reducing from 6.9% to 4.4% in the same period.

Alcoholic Beverages and Tobacco

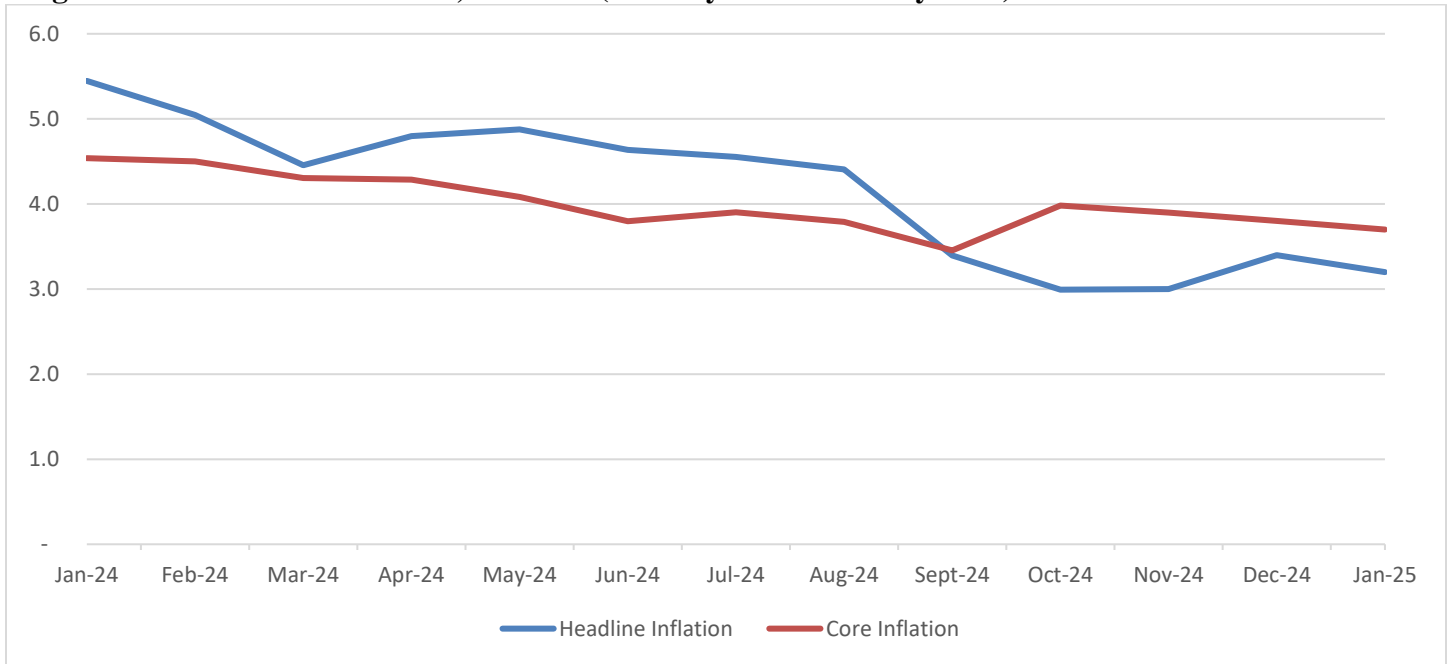
Inflation in the Alcoholic Beverages and Tobacco category, which accounts for 12.6% of the consumer basket, fell to 3.5% in January 2025, down from 7.3% in January 2024 and 4.6% in December 2024. This decline was primarily due to price reductions:

- Alcoholic beverages: Inflation fell from 7.4%, Jan-24, and 4.3, Dec-24, to 2.9%, due to lower prices for white spirits, beer/ales/ciders, and sparkling wines/champagnes.
- Tobacco: Inflation decreased from 6.6% to 6.4% from January 2024 to 2025 but increased from December's rate of 6.1%, reflecting higher cigarette prices since the start of the year.

Housing, Water, Electricity, Gas & Other Fuels

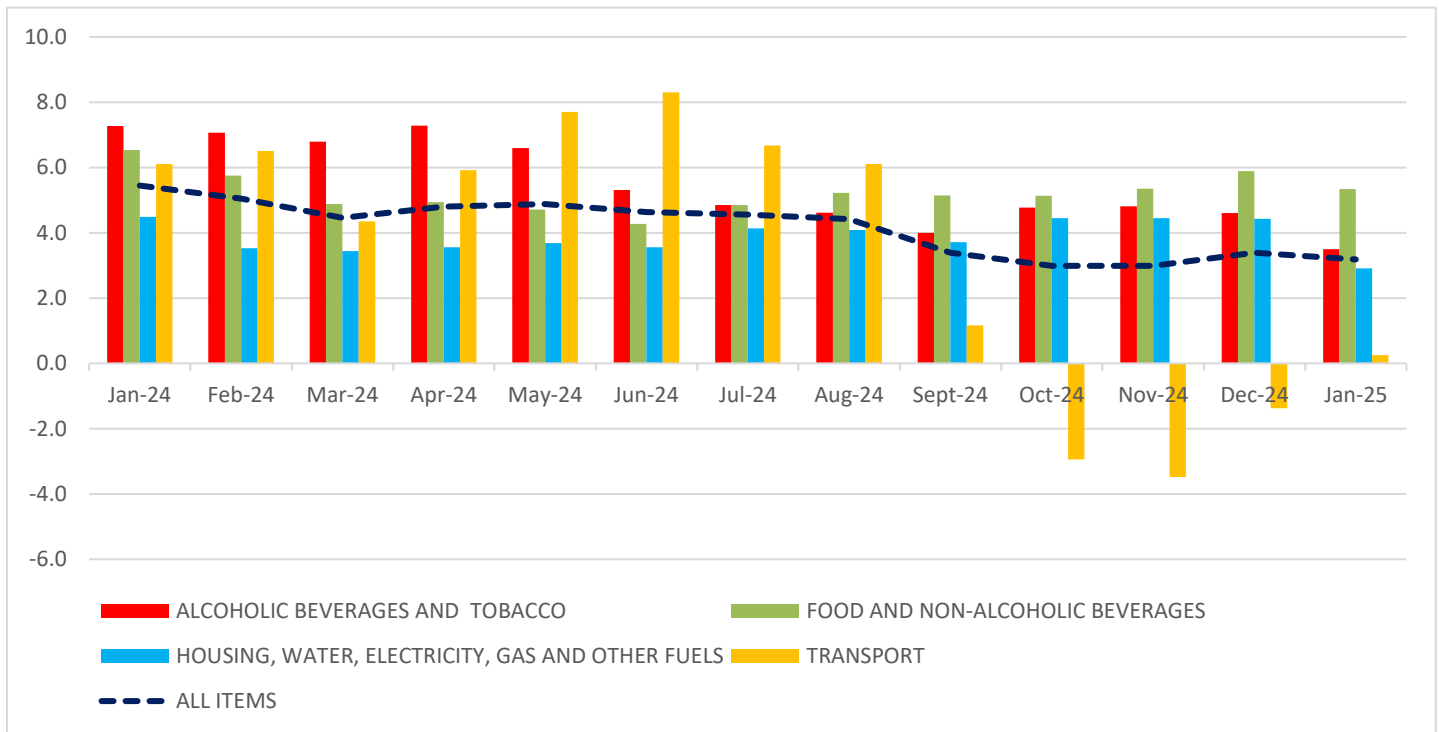
The Housing, Water, Electricity, Gas & Other Fuels category, which represents 28.4% of the consumer basket, experienced a significant drop in inflation, falling from 4.5% in January 2024 to 2.9% in January 2025. This decline was mainly driven by a reduction in prices for electricity, gas, and other fuels, which dropped from 9.1% in January 2024 and 1.4% in December 2024 to 1.3% in January 2025. Additionally, rental payments contributed to the overall decrease, falling from 3.6% in January 2024 and 5.1% in December 2024 to 3.2%.

Figure 1: Annual Inflation Rate, Namibia (January 2024 –January 2025)



Source: NSA, HEI Research

Figure 2: The main contributors to the annual inflation rate of January 2025



Source: NSA, HEI Research

3. Outlook

While the slight decrease in inflation entering 2025 initially suggests an opportunity for easing monetary policy, potential trade tensions among Namibia’s key partners like South Africa, the USA and China introduce a significant upside risk to Namibia’s inflation outlook for 2025. The Impact of tariffs and evolving trade dynamics on monetary policy may not be fully noticeable until the second quarter of 2025; however, these factors necessitate vigilant monitoring due to their potential to counteract the current disinflationary trend and warrant a reassessment of the scope for money easing. This is especially pertinent given the interconnectedness of global trade and Namibia’s reliance on these trading partners.



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