

1. Executive Summary

Namibia's annual inflation rate for February 2025 stood at 3.6%, a decrease from 5.0% in February 2024 but a slight increase from 3.2% in January 2025. This decrease in annual inflation was mainly attributed to the Recreation & Culture, Transport, and Alcoholic Beverages & Tobacco categories. While the increase in monthly inflation was driven by the transport category and housing, water electricity gas and other fuels. During the period under review, core inflation (which excludes food and energy) was 3.5%, slightly lower than the headline inflation rate of 3.6%.

The Zonal year-on-year inflation rates for the month of February 2025 revealed that Zone 2 (Khomas region) and Zone 3 (//Kharas, Erongo, Hardap, Omaheke regions) recorded the highest rate of 3.7%; while by Zone 1 (Kavango East, Kavango West, Kunene, Ohangwena, Omusati, Oshana, Oshikoto, Otjozondjupa, and Zambezi regions) recorded an annual inflation rate of 3.5%.

2. Analysis

Recreation and Culture

The Recreation and Culture category, accounting for 3.6% of the consumer basket, recorded an annual change of 4.2% in February 2025, down from 10.7% in February 2024. This decrease was mainly attributed to a significant drop in packaged holiday prices, which fell to 8.6% from 90.9% in February 2024.

Transport

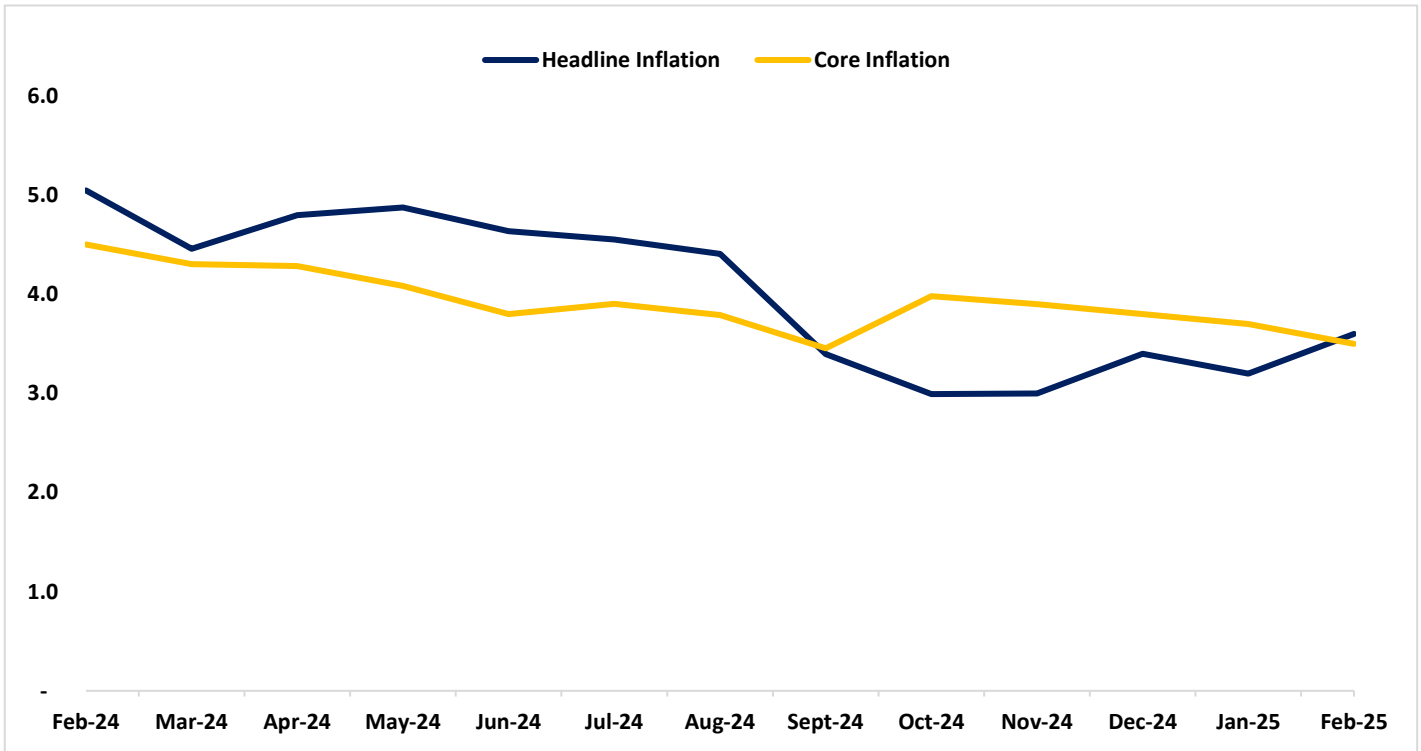
The annual inflation rate for the Transport category, which accounts for 14.3% of the consumer basket, stood at 1.3% in February 2025, compared to 6.5% in February 2024. The moderation in inflation was reflected in the subcomponents of vehicle purchases and the operation of personal transport equipment:

- The inflation rate for the purchase of motor cars decreased from 10.8% to 1.5%.
- The price levels of spare parts and accessories for personal transport dropped from 9.8% to 1.3%

Alcoholic Beverages and Tobacco

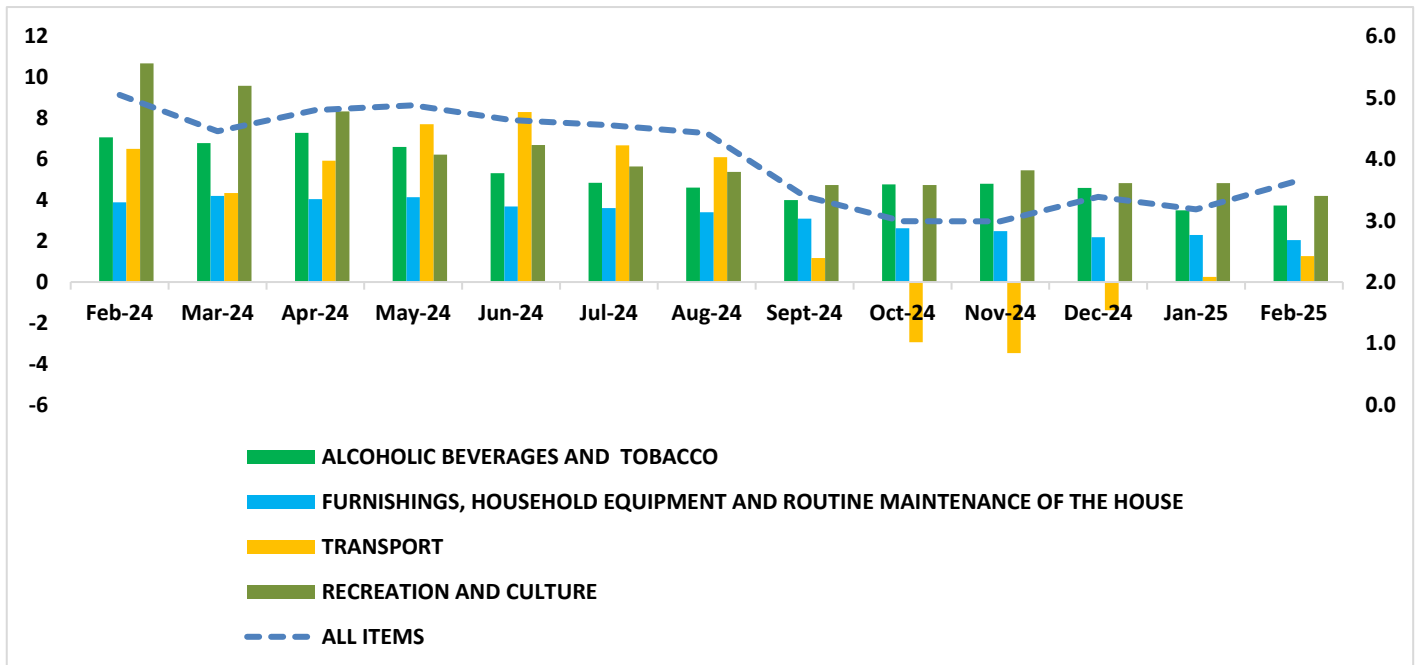
Inflation in the Alcoholic Beverages and Tobacco category, which accounts for 12.6% of the consumer basket, fell to 3.7% in February 2025, down from 7.1% in February 2024. This decline was largely driven by price reductions in alcoholic beverages. Inflation for this subcategory fell from 7.2% to 3.1%, reflecting lower prices for white spirits, beer, ales, ciders, and sparkling wines/champagnes.

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



Source: NSA, HEI Research

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



Source: NSA, HEI Research

3. Outlook

Namibia's inflation rate in February 2025 remained within a manageable range, showing a slight moderation compared to 2024. However, the adjustment in fuel costs is expected to have a ripple effect on the cost of living. Fuel price hikes lead to increased transportation and production costs, which are often passed on to consumers, thereby reducing disposable income. The agricultural sector, which relies heavily on fuel for machinery and transportation, may face increased operational costs, potentially affecting food prices. Additionally, other industries may also feel the impact, with price adjustments expected in March and April as businesses adapt to higher operational expenses.



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