NCPI March 2025

1. Executive Summary

Namibia’s annual inflation rate for March 2025 was recorded at 4.2%, showing a moderation from 4.5% in March 2024, indicating a slowdown in price growth over the year. This decline was largely driven by lower inflation in key expenditure categories such as recreation and culture, transport, and alcoholic beverages and tobacco. Despite a recent excise tax increase on alcoholic beverages and tobacco, inflation in this category declined due to producers absorbing some cost increases. On a monthly basis, consumer prices increased by 0.6%, mainly due to higher food and personal care costs. Regional inflation disparities persist, reflecting varying economic conditions across zones. The gap between headline and core inflation highlights the ongoing influence of volatile food and energy prices on overall inflation.

2. Inflation Overview

Namibia’s annual inflation rate for March 2025 was recorded at 4.0%, showing a moderation from 4.5% in March 2024, indicating a slowdown in price growth over the year. This decline was largely driven by lower inflation in key expenditure categories such as recreation and culture, transport, and alcoholic beverages and tobacco.

On a monthly basis, consumer prices increased by 0.6%, primarily driven by higher costs in food and alcoholic beverages—particularly fish (increasing by 2.3%) and fruits (increasing by 3%)—as well as miscellaneous goods and services related to personal care (increasing by 1.7%). Transport costs related to the operation of personal transport equipment also contributed to the monthly rise (increasing by 1.7%).

Moreover, the core inflation rate, which excludes volatile food and energy prices, stood at 4.0% an increase from 3.5% recorded in February 2025, while headline inflation was slightly higher at 4.2% in March 2025. This gap underscores the significant impact that food and energy prices continue to exert on overall inflation trends in Namibia. See figure 1.

3. Category-Specific Inflation Analysis

Recreation and Culture

In the recreation and culture segment, inflation fell sharply, mainly due to lower package holiday prices (decreasing by 70%), easing the overall inflation burden despite its smaller basket weight.

Transport

Transport inflation also eased, reflecting a notable reduction in the prices of motor cars (decreasing by 5.3%). This could be driven by lower fuel costs and improved supply conditions. Additionally, the categories of spare parts and accessories and parking fees also recorded annual declines of -7.1% and -5.9% for March 2025 when compared to March 2024. Transport inflation declined by 1.7% due to reduced vehicle purchase prices, which is significant given transport's substantial 14.28% share of consumer spending.

Alcoholic Beverages and Tobacco

While alcoholic beverages and tobacco inflation declined mainly because of falling prices in alcoholic beverages, this downward inflation trend contrasts with recent government tax policy: in March 2025, the Namibian government implemented a 6.75% increase in excise duties on alcoholic beverages and tobacco products. This tax hike raised prices for various alcoholic drinks, including spirits and sparkling wine, as well as tobacco products. Despite this, major producers like Namibia Breweries Limited (NBL) have not passed on the full tax increase to consumers, choosing instead to absorb some costs to maintain market share amid growing price sensitivity and competition. Alcoholic Beverages and Tobacco remained a major inflation contributor with a 5.5% annual rate but showed a decrease compared to the previous year, mainly from lower alcoholic beverage prices.

Furnishings, Household Equipment and Routine Maintenance of The House

Namibia's household goods category recorded a decline of 2.1% in annual inflation, driven by significant price decreases across several key subcategories. Furniture, furnishings, decorations, carpets, and floor coverings, including repairs, fell by 3%, reflecting lower demand and improved supply conditions. Similarly, furniture and furnishings prices declined by 3.5%, while household textiles experienced a 3.3% reduction. Major household appliances such as heating and cooking appliances, refrigerators, and washing machines also contributed to the downward trend, with prices dropping by 4.4%. see figure 2 below.

These declines reflect easing cost pressures in durable goods, possibly influenced by stabilized import costs and competitive retail markets in Namibia. The moderation in this category helps offset inflationary pressures seen in more volatile sectors like food and energy, contributing to overall consumer price stability.

4. Regional Inflation Disparities

Zonal inflation varied, with Zone 3 (//Kharas, Erongo, Hardap, Omaheke) recording the highest annual inflation at 4.4%, driven in part by elevated prices for staple goods such as maize meal. Windhoek (Zone 2) followed closely with 4.1%, while Zone 1 (Kavango East, Kavango West, Kunene, Ohangwena, Omusati, Oshana, Oshikoto, Otjozondjupa, Zambezi) experienced the lowest inflation at 4.2%. These variations highlight differences in consumption patterns, supply chain costs, and local economic conditions across the country. See figure 3

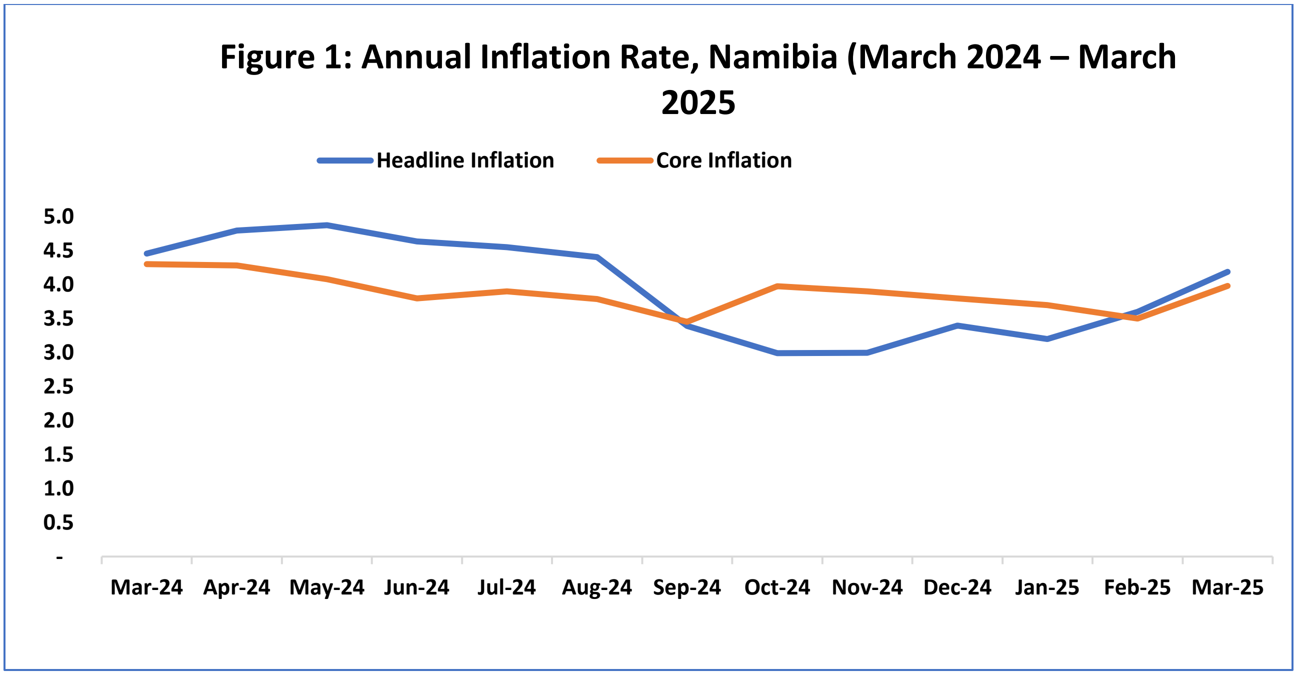


Figure 1: Annual Inflation Rate, Namibia (March 2024 – March 2025
Headline Inflation
Core Inflation
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-
Mar-24
Apr-24
May-24
Jun-24
Jul-24
Aug-24
Sep-24
Oct-24
Nov-24
Dec-24
Jan-25
Feb-25
Mar-25

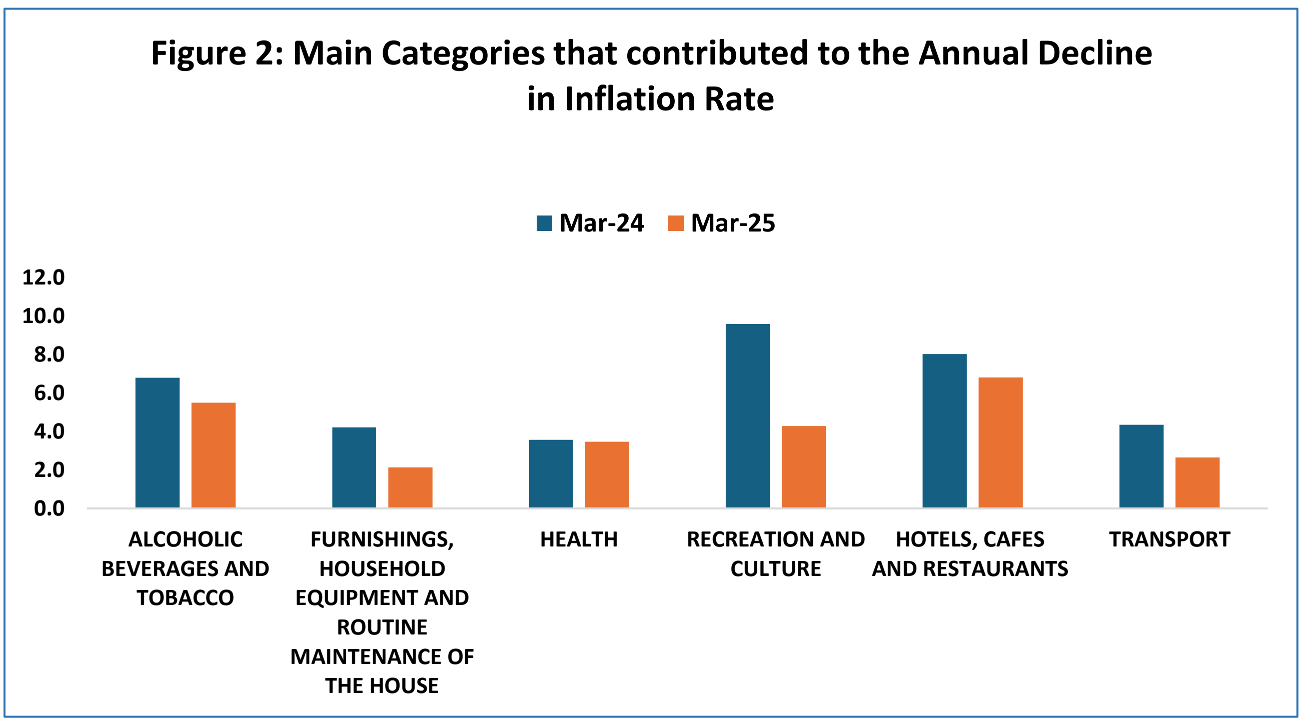
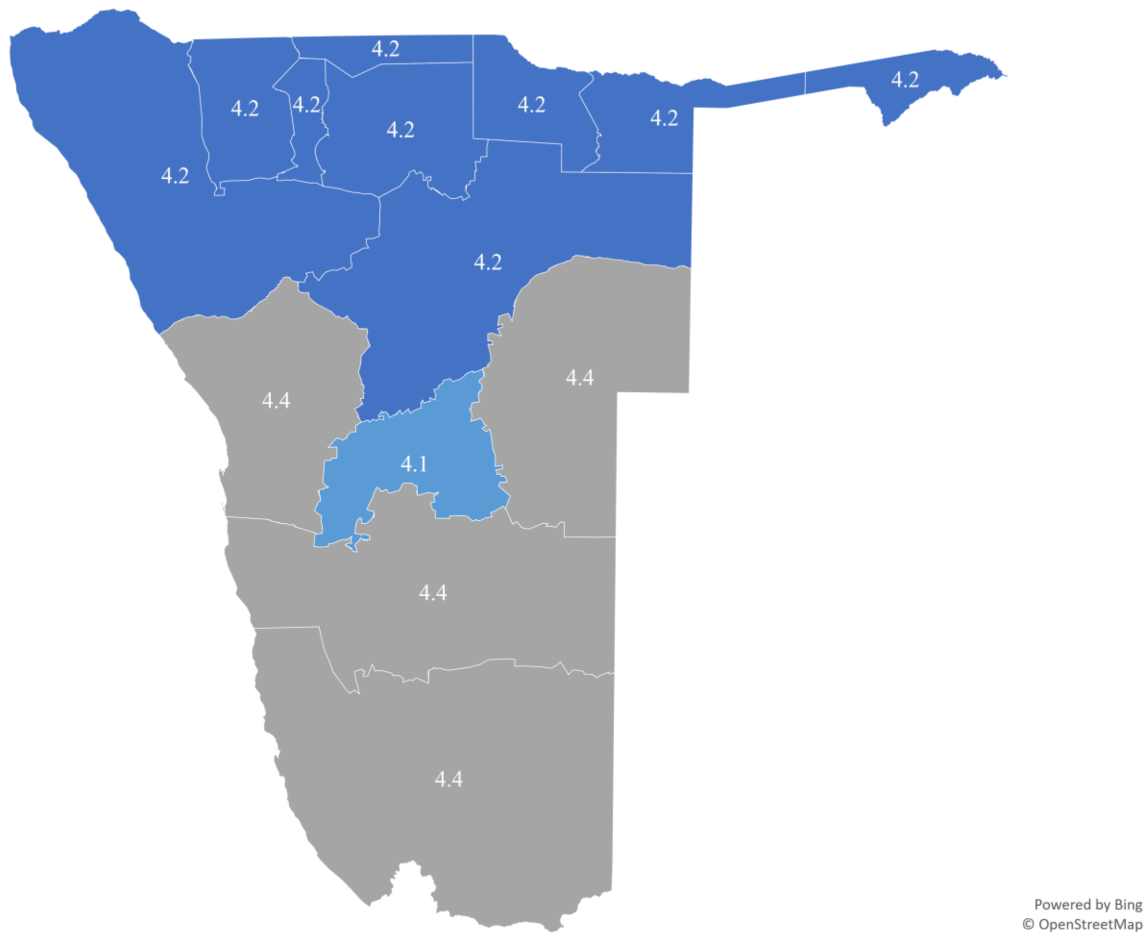


Figure 2: Main Categories that contributed to the Annual Decline in Inflation Rate
Mar-24
Mar-25
12.0
10.0
8.0
6.0
4.0
2.0
0.0
ALCOHOLIC BEVERAGES AND TOBACCO
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE
HEALTH
RECREATION AND CULTURE
HOTELS, CAFES AND RESTAURANTS
TRANSPORT

Figure 3: Namibia Zonal Infaltion



5. Sentiment and Outlook

Overall, the inflation moderation reflects a combination of easing price pressures in key sectors and the continued influence of volatile food and energy prices. The regional disparities and sectoral shifts underscore the importance of targeted policy measures to address localized inflationary pressures while maintaining overall price stability.

Namibia's inflation is expected to remain within the targeted range of 3% to 6%, signaling relative price stability in the near term. Elevated fuel prices typically drive-up transportation and production costs, which businesses often pass on to consumers, thereby reducing household purchasing power.

Compounding this upward pressure on prices, recent tariff increases on imported goods and services are expected to further raise operational costs across multiple sectors. These tariff adjustments contribute to higher input costs for transportation, food production, and goods distribution, intensifying inflationary pressures beyond those caused by fuel price hikes alone.

As companies adapt to these increased costs, price adjustments are likely in April and May 2025, particularly in transportation, food, and distribution sectors. While inflation currently remains within the target range, the combined effect of rising fuel prices and tariff increases could challenge economic resilience and strain household budgets in the coming months, potentially pushing inflation toward the upper bound of the target range or beyond if pressures persist.