

1. Executive Summary

Namibia's annual inflation rate rose to 3.7% in June 2025, up from 3.5% in May 2025, but remains significantly lower than the 4.6% recorded in June 2024. The increase was primarily driven by heightened price pressures in key categories such as food and non-alcoholic beverages, alcoholic beverages and tobacco, and education.

In contrast, transport inflation declined sharply from 8.3% to 2.2%, helping to ease upward pressure on the overall inflation rate. On a monthly basis, however, headline inflation remained flat at 0.0% in June, following a 0.2% increase in May. Core inflation stood at 4.2%, slightly above the previous month, while the headline rate edged to 3.7%.

2. Analysis

Food and non-alcoholic beverages

The transport category, which accounts for a significant weight of 16.45% in the consumer basket, recorded an annual inflation rate of 6.4% in June 2025, down from 4.3% in June 2024. The surge was driven by steep price increases in key food items: meat inflation rose to 9.8% from 3.5%, fish to 10.3% from 4.6%, oils and fats to 7.1% from 1.5%, and fruit to 16.0% to 13.4% when compared to June 2024. These substantial increases highlight ongoing cost pressures in the protein and fresh produce subcategories, likely linked to supply constraints, seasonal demand, and broader input cost escalations.

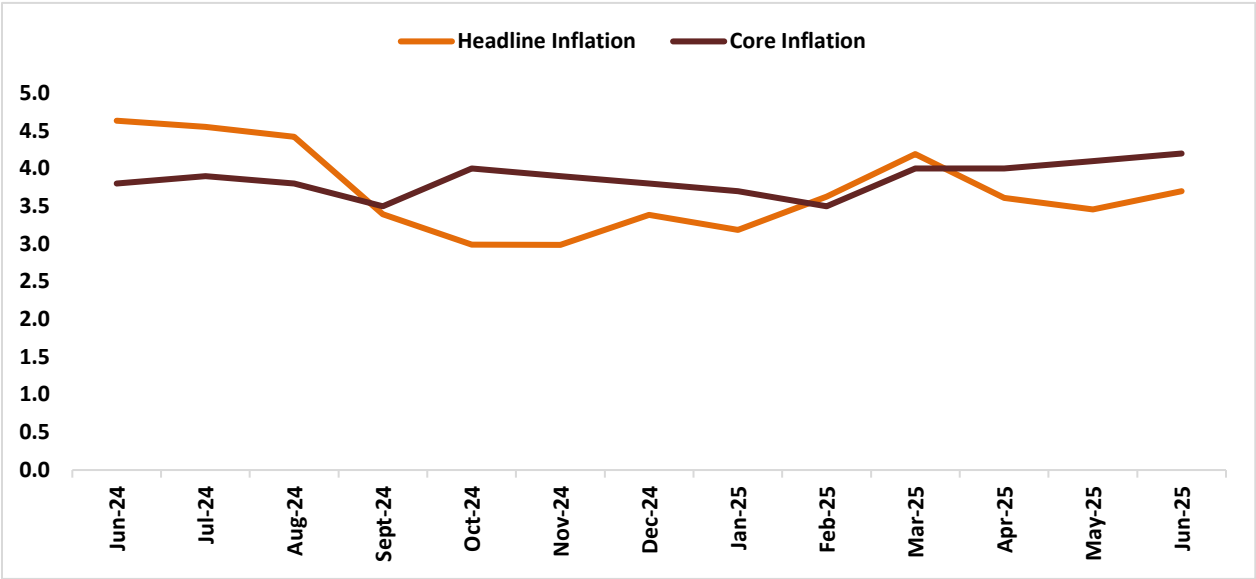
Alcoholic beverages and tobacco

This category, which accounts for 12.59% of the consumer basket, recorded an annual inflation rate of 6.9% in June 2025, up from 5.3% in June 2024. The increase was primarily driven by higher prices for both alcoholic beverages and tobacco. Alcoholic beverage inflation rose to 6.7% from 5.1% when compared to June 2024, while tobacco inflation accelerated to 7.6%, up from 6.0% in June 2024.

Education

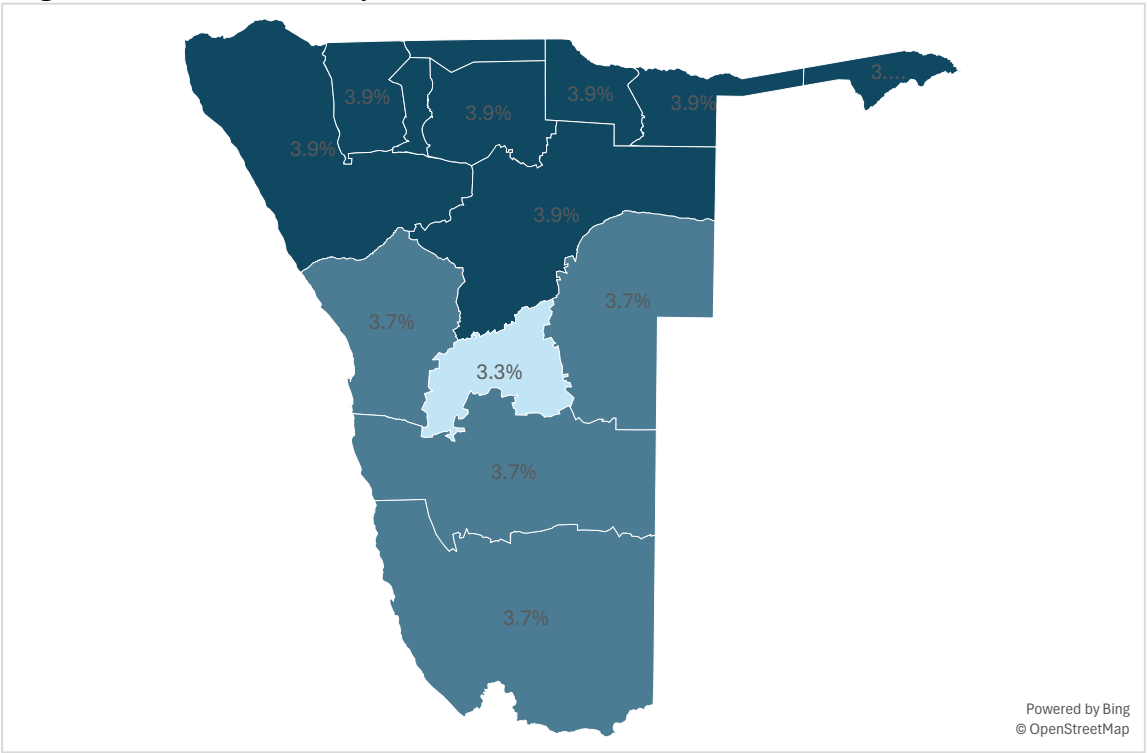
Education category, which makes up 3.65% of the consumer basket, recorded an annual inflation rate of 4.3% in June 2025, up from 1.7% in June 2024. The increase was largely driven by significant price hikes in pre-primary education, which rose to 7.7% from 2.4%, and primary and secondary education, which accelerated to 6.8% from 1.7% when compared to June 2024. In contrast, tertiary education inflation remained unchanged at 1.6%, indicating stability at that level of schooling.

Figure 1: Annual Inflation Rate, June 2024 – June 2025



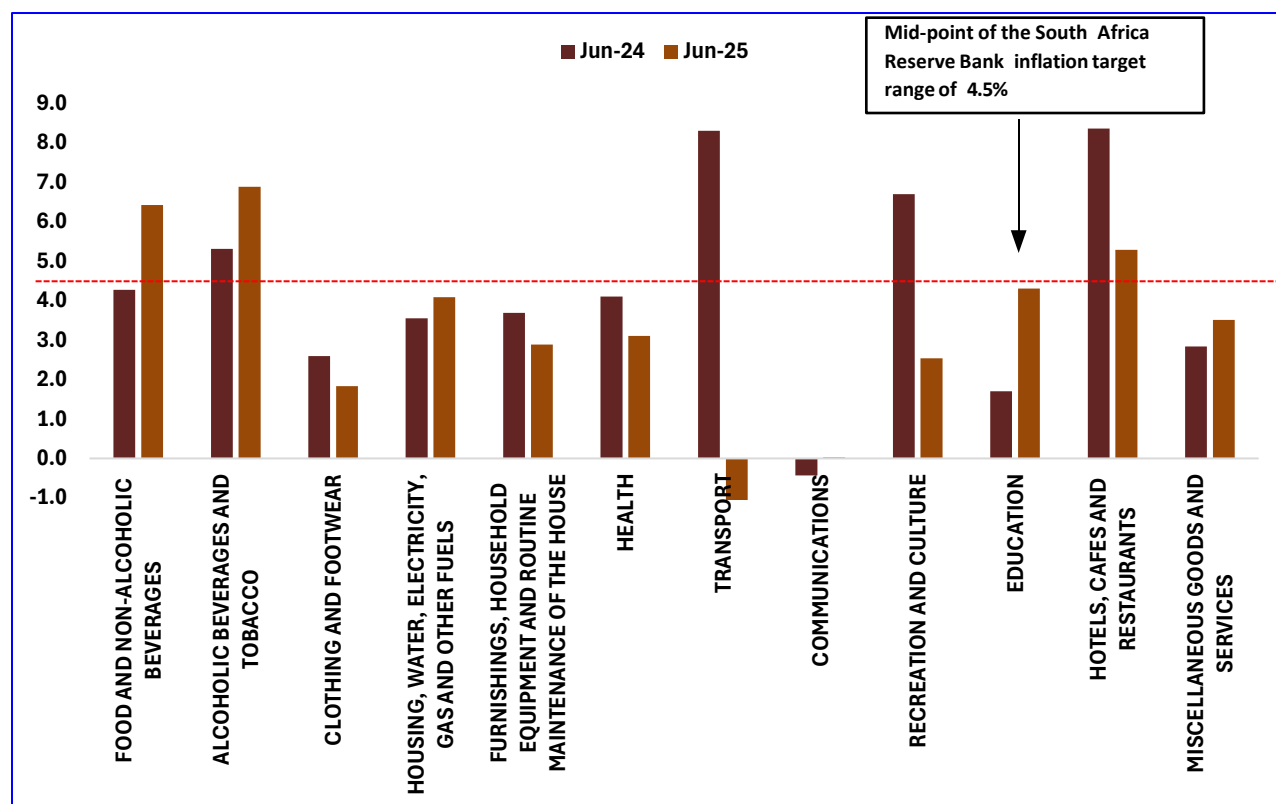
Source: NSA & HEI RESEARCH

Figure 2: Inflation Rate by Zone, June 2025



Source: NSA & HEI RESEARCH

Figure 3: Main Contributors to the Annual Inflation Rate (Below and Above the Target Range), June 2024 – June 2025



Source: NSA & HEI RESEARCH

3. Outlook

Namibia's inflation outlook for July 2025 remains moderate but faces upward pressures, primarily due to a 3.8% electricity tariff increase for NamPower effective 1 July 2025, which raises electricity costs from N\$1.98 to N\$2.06 per kWh. Although this increase is significantly lower than the initially requested 17.44%, it is expected to contribute to higher utility expenses for households and businesses. Historically, electricity tariff hikes in Namibia have had a noticeable impact on inflation, as increased energy costs tend to ripple through production and service sectors, pushing up prices more broadly and elevating administered price inflation temporarily.

In contrast, fuel prices have remained unchanged for July 2025, despite rising global oil prices driven by geopolitical tensions and supply disruptions. Petrol and diesel prices have been stabilized through government subsidies, which helps contain transport inflation, a category that recently contracted, providing relief to consumers. Additionally, the Namibia Dollar's appreciation against the US Dollar has helped offset some cost pressures from global oil price increases.

Alongside these factors, inflationary pressures persist in food and education sectors, with elevated prices in meat, fish, oils, fats, and fruit due to seasonal supply constraints and input cost volatility. Despite these sector-specific challenges, headline inflation rose only slightly to 3.7% in June 2025 from 3.5% in May, reflecting a contained inflation environment supported by easing transport costs and a stable monetary policy stance. The Bank of Namibia continues to maintain a cautious approach, keeping the repo rate steady at 6.75%, which helps anchor inflation expectations and

supports macroeconomic stability.

Overall, inflation is expected to remain moderate but slightly elevated in the short term, requiring close monitoring given the combined impact of higher electricity costs, persistent food price pressures, and external risks such as commodity price volatility and supply disruptions