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NCPI

August 2025

1. Overview

Namibia's annual inflation rate eased to 3.2% in August 2025, down from 3.5% in July and 4.4% in August 2024. The year-on-year moderation was primarily driven by the Transport category, which registered a substantial disinflation. Additional downward pressure came from Hotels, Cafés and Restaurants and Recreation and Culture, both of which registered notable disinflation.

Core inflation, which excludes the typically more volatile components of food, non-alcoholic beverages, and energy prices, slowed to 3.6% in August from 3.9% in July. However, it remains higher than the headline inflation rate (See figure 1). This divergence suggests that while headline inflation is moderating, underlying price pressures within the broader economy persist. These persistent core inflationary pressures reflect ongoing demand-driven and cost-push factors that have yet to fully abate, warranting continued vigilance by monetary policymakers to ensure inflation remains contained without disrupting economic growth.

Average retail price analysis highlights regional disparities. In August 2025, consumers in Zone 2 paid the highest price for apples (1kg) at N$41.42, compared to N$38.66 in Zone 3 and N$33.55 in Zone 1. Similarly, Zone 2 recorded the highest price for 2.5kg of white bread flour at N$54.93, compared to N$50.99 in Zone 1 and N$49.58 in Zone 3. These price differences are reflected in the regional inflation outcomes, with Zone 1 registering the highest inflation rate at 3.6%, followed by Zone 3 at 3.2%, while Zone 2 posted the lowest overall inflation at 2.9% (See figure 2)

2. Analysis

Transport

The transport category, which accounts for 14.28% of the consumer basket, recorded an annual inflation rate of 1.0% in August 2025, down sharply from 6.1% in August 2024 (see figure 3). This decline was largely driven by low prices for personal transport equipment, which dropped to -2.8% from 8.2%, and vehicle purchases, which moderated to 2.8% from 3.7%. As a result, transport emerged as the largest contributor to the overall easing of inflation during the month under review.

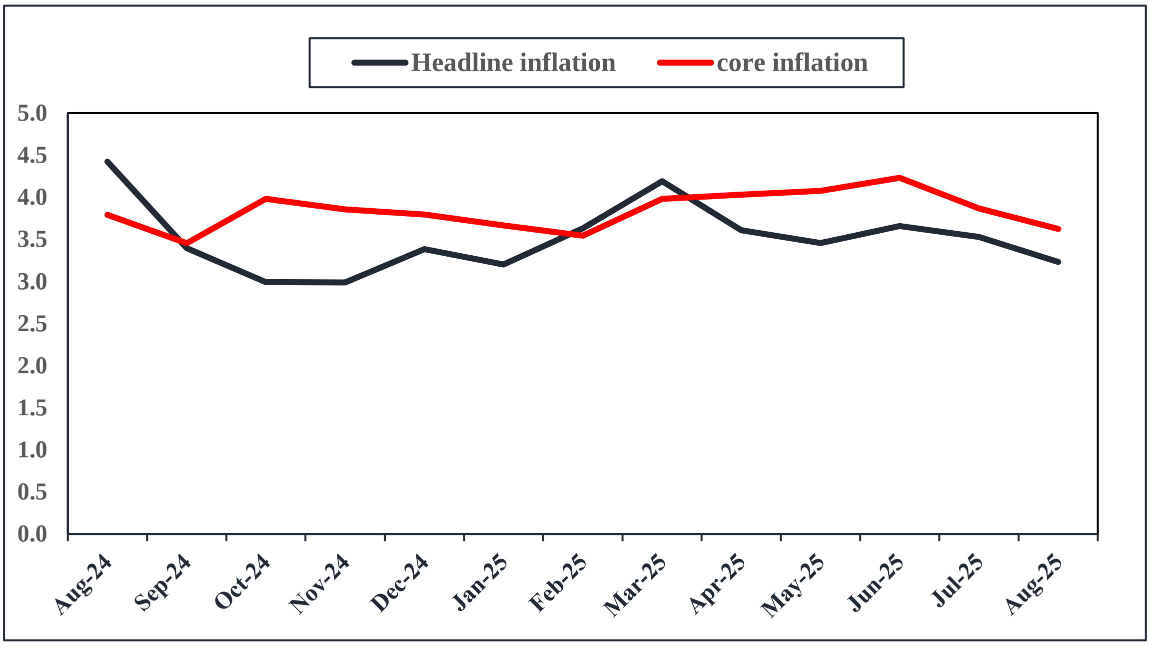
Hotels, Cafés and Restaurants category

Representing 1.39% of the consumer basket, the Hotels, Cafés, and Restaurants category saw annual inflation slow to 3.8% in August 2025, from 7.6% in August 2024 (See figure 3). The deceleration was mainly due to slower price in catering services, which eased to 3.6% from 5.6%, and accommodation, which declined to 4.0% from 9.8%, reflecting weaker demand within the hospitality sector.

Recreation and Culture

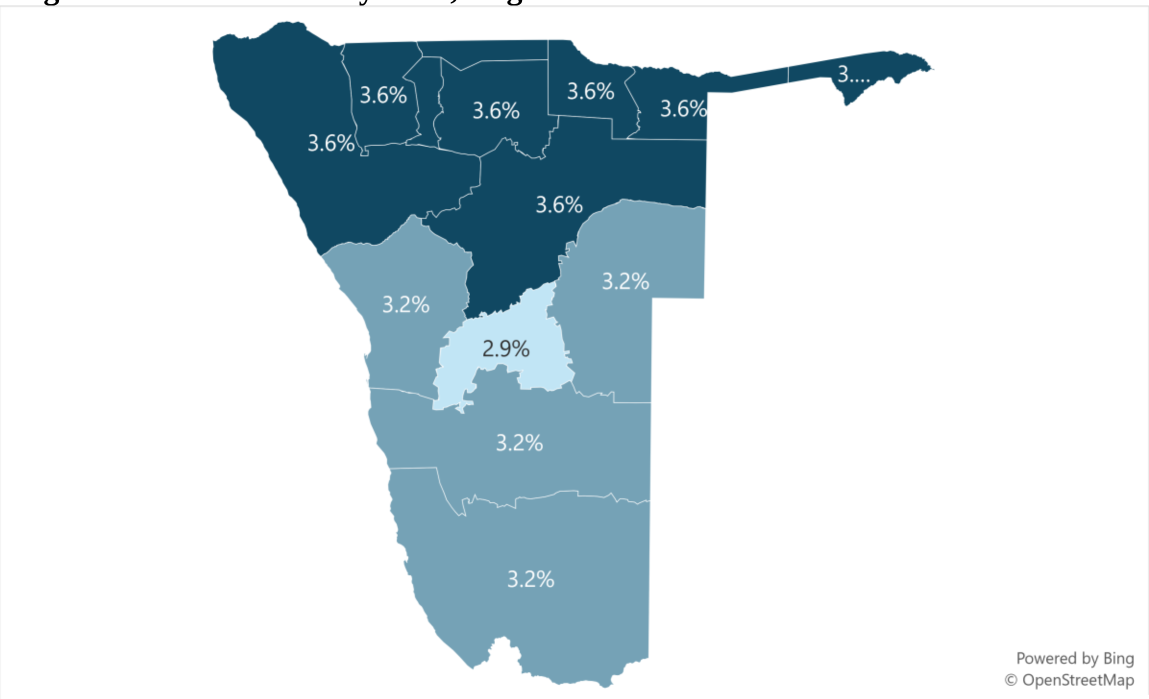
The Recreation and Culture category, comprising 3.56% of the consumer basket, recorded an annual inflation rate of 3.8% in August 2025, down from 5.4% in August 2024(See figure 3). Key contributors to this slowdown included package holidays, which fell sharply to 0.8% from 12.4%; recreational items, flowers, and pets, which eased to 0.9% from 4.7%; and major durables for recreation and culture, which declined to 0.4% from 2.9%. These trends indicate subdued discretionary spending and easing costs for leisure-related goods and services.

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



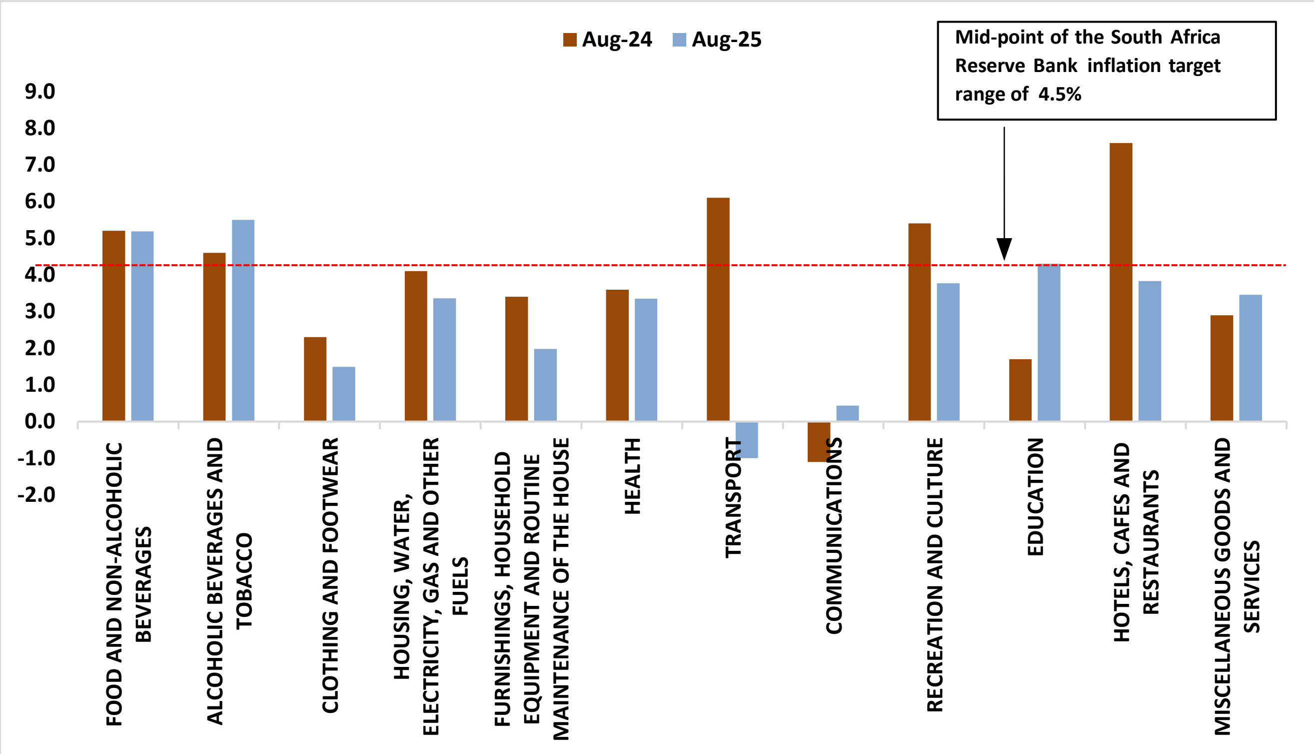
Source: NSA & HEI RESEARCH

Figure 2: Inflation Rate by Zone, August 2025



Source: NSA & HEI RESEARCH

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



Source: NSA & HEI RESEARCH

3. Outlook

The NCPI continues to reflect stable inflation dynamics, with headline inflation remaining well within the Bank of Namibia's 3–6% medium-term target range. The disinflationary impact of falling transport-related costs, particularly from lower prices in personal transport equipment and vehicles, is expected to persist in the near term. Additionally, weaker discretionary spending, evident in the moderation of prices for recreation, culture, and hospitality services, is likely to further anchor inflation at moderate levels.

However, certain categories continue to exert upward pressure on core inflation. Notably, housing, water, electricity, gas and other fuels, which carry significant weight in the consumer basket, are expected to remain elevated following the City of Windhoek's announcement of a 3.9% electricity tariff adjustment effective 1 August 2025. Similarly, food and non-alcoholic beverages although excluded from core inflation pose risks given price volatility in staple products such as meat and fish. Specifically, meat prices accelerated to 8.3% in August 2025 from 5.2% a year earlier, while fish prices surged to 8.3% from just 0.1% in August 2024. These pressures explain why core inflation (3.6%) remains above the headline rate (3.2%), limiting the extent of overall disinflation.

Looking ahead, the Bank of Namibia is expected to maintain its current repo rate at 7.50%, sustaining a stable and growth-supportive monetary policy stance. This expectation is based on the Bank's latest Monetary Policy Committee (MPC) communications, which have emphasized the dual objectives of safeguarding price stability while supporting domestic growth.