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NCPI Report

February 2026

1. Executive summary

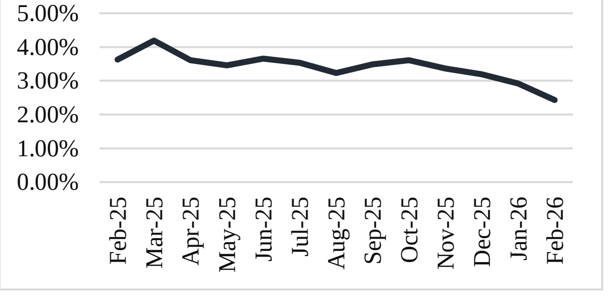
Namibia's annual inflation declined to 2.4% in February 2026, down from 2.9% in January 2026 and considerably lower than the 3.6% recorded in February 2025. The broad easing in price pressures was driven primarily by minor deflation in transport, which recorded an annual rate of -1.0%, and continued price declines in communications at -1.6%. These developments reflect a sharp reversal in fuel costs, with petrol and diesel deflating to -5.6% in February 2026, and a normalisation in air transportation costs following an unusually elevated base in early 2025.

Housing, water, electricity, gas and other fuels emerged as the dominant upward pressure on the consumer basket, accelerating to 4.7% in February 2026 from 2.9% a year prior. This was underpinned by higher electricity charges at 4.0%, rising rental costs at 5.0%, and a sharp increase in gas prices from deflation of -3.9% in February 2025 to 4.9% in February 2026. Furnishings and household equipment also recorded a notable pickup, rising to 3.5% from 2.3% a year earlier. Health inflation firmed marginally to 4.0%, while recreation and culture and hotels, cafés and restaurants recorded 3.9% and 4.8% respectively, pointing to continued stickiness in service-related categories.

Food and non-alcoholic beverages continued to ease substantially, falling from 5.3% in February 2025 to 1.6% in February 2026, providing meaningful relief to household budgets. Clothing and footwear inflation slowed sharply to just 0.3% from 2.7% in the same period last year, while education inflation moderated to 2.4% from 4.7%.

The year-to-date average for January to February 2026 stands at approximately 2.7%, notably below the 3.5% full-year average recorded for 2025, suggesting that disinflation dynamics are becoming more entrenched in the early months of the year, as illustrated in Figure 1 below. Monetary policy remains steady, with the Bank of Namibia maintaining its repo rate to preserve the currency peg to the South African Rand and to anchor domestic price expectations within a stable inflation environment.

Figure 1: Annual Inflation Rate, February 2025 – February 2026



2. Analysis

Transport

The transport category, which accounts for 14.3% of the consumer basket, recorded an annual inflation rate of -1.0% in February 2026, a significant decline from the 0.3% registered in February 2025. This shift into deflation was driven primarily by the operation of personal transport equipment, which moved from 1.1% to -2.1%, largely on the back of a sharp fall in fuel costs. Petrol and diesel deflated to -5.6%, reflecting lower global oil prices and the unwinding of the base effects that had supported fuel inflation through early 2025.

The purchase of vehicles subgroup also softened, easing from 1.7% to 1.3%. Motor cars moderated from 1.5% to 1.3%, while motor cycles fell sharply from 7.6% to 1.3%, pointing to cooler demand conditions in the new vehicle market. Air transportation normalised considerably, declining from 24.4% to 4.8% following the elevated base established in early 2025.

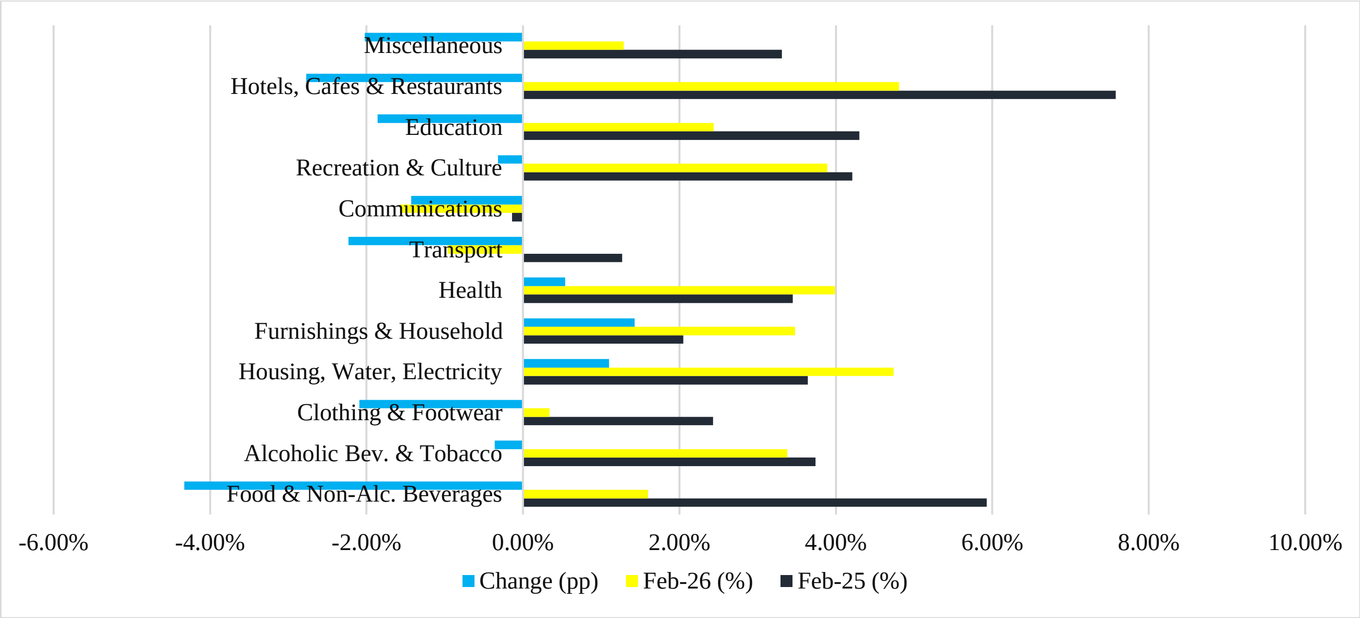
Housing, Water, Electricity, Gas and Other Fuels

The housing category, which is the largest component of the consumer basket at 28.4%, recorded an annual inflation rate of 4.7% in February 2026, accelerating from 2.9% in February 2025. This increase was the primary upward driver of headline inflation for the month. Rental payments rose from 4.2% to 5.0%, reflecting sustained demand for accommodation. Electricity charges increased from 3.1% to 4.0%, consistent with municipal tariff adjustments, while gas prices swung sharply from deflation of -3.9% to 4.9%, adding further upward pressure within the category.

Food and Non-Alcoholic Beverages

The food and non-alcoholic beverages category, which comprises 16.4% of the consumer basket, recorded an annual inflation rate of 1.6% in February 2026, a substantial easing from 5.3% in February 2025. The moderation was broad-based across most food subgroups, reflecting improved supply conditions and a favourable base from the elevated readings of early 2025. Bread and cereals moved into deflation on an annual basis, while meat and dairy inflation both eased considerably compared to the prior year. Oils and fats remained above the headline rate, continuing to reflect lingering global vegetable oil price pressures, though at a significantly reduced pace relative to 2025. The inflation dynamics across all major categories for February 2026 relative to February 2025 are summarised in Figure 2 below.

Figure 2: Annual Inflation by Category, February 2025 vs February 2026



3. Outlook

Namibia's inflation outlook for the near term points to continued moderation, with headline inflation expected to remain below the levels recorded through most of 2025. The year-to-date average of approximately 2.7% for January to February 2026 is tracking well below the 3.5% full-year average for 2025, and the disinflationary impulse from food and transport is likely to persist into the second quarter of the year, provided global commodity prices and fuel costs remain contained.

However, housing-related costs are expected to continue exerting upward pressure on the overall basket. Rental inflation has been gaining momentum and municipal tariff adjustments to electricity and water charges are typically implemented on an annual cycle, meaning further passthrough into consumer prices remains likely over the coming months. Gas prices, having swung sharply from deflation into positive territory, may sustain their elevated trajectory depending on import cost dynamics.

Transport inflation is expected to remain subdued or negative in the near term, given current fuel price trends and the normalisation of air transportation costs. Should global oil prices firm materially, however, this disinflationary contribution could reverse quickly given transport's relatively large weight in the basket.

Food inflation is projected to remain low in the short term, supported by favourable base effects and stable import costs. That said, any deterioration in regional agricultural conditions or renewed currency weakness could introduce upside risks to food prices in the second half of 2026.

Monetary policy is expected to remain steady, with the Bank of Namibia maintaining a cautious stance to preserve the currency peg to the South African Rand. The narrow interest rate differential with South Africa continues to anchor domestic price expectations, and with inflation tracking comfortably below the levels of 2025, the case for any policy adjustment in the near term remains limited.