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NCPI Report

March 2026

1. Executive summary

Namibia's annual inflation rate slowed further to 2.1% in March 2026, down from 2.4% in February 2026 and significantly lower than the 4.2% recorded in March 2025. On a month-on-month basis, the consumer price index increased by 0.2%, indicating that prices still rose in March, but at a modest pace. The broader picture remains one of continued disinflation through the first quarter of 2026, supported mainly by weaker transport costs and a notable easing in food inflation. (Figure 1)

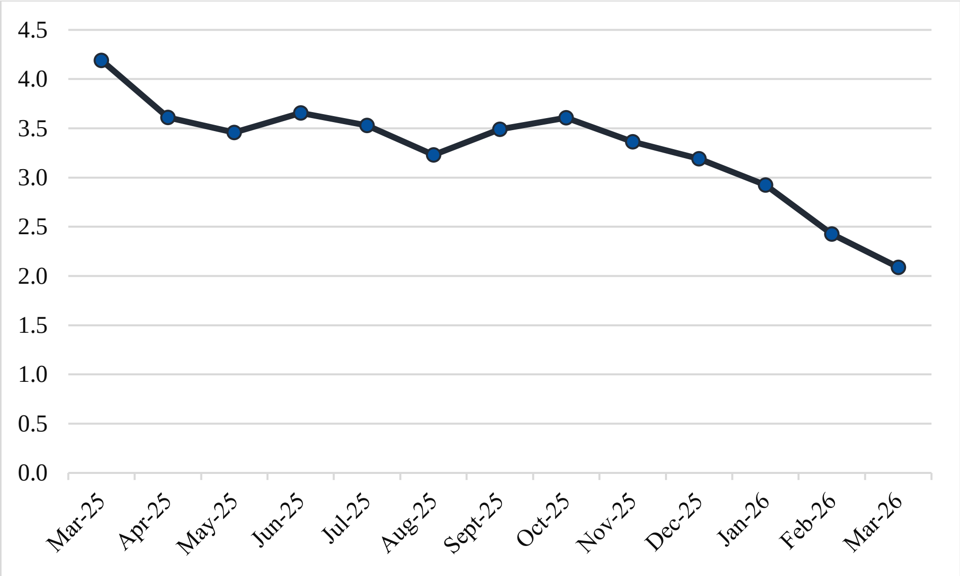
The main downward pressure continued to come from transport, which recorded an annual deflation of -1.7% in March 2026. This was driven largely by a deeper decline in the operation of personal transport equipment, which fell to -3.3%, and by sharper fuel price deflation, with petrol and diesel recording a -7.7% year-on-year decline in March. Communications also remained in deflation at -1.4%, while clothing and footwear slipped marginally into deflation at -0.1%.

By contrast, the largest source of upward pressure remained housing, water, electricity, gas and other fuels, which recorded annual inflation of 4.6% in March 2026, only slightly below 4.7% in February. Given its large weight in the CPI basket, this category contributed about 1.13 percentage points to overall inflation, equivalent to roughly 54% of headline inflation in March. Health also strengthened to 4.5%, up from 3.5% a year earlier, while furnishings and household equipment remained elevated at 3.4%.

Food and non-alcoholic beverages slowed sharply to 1.7% in March 2026 from 6.2% in March 2025, providing continued relief to household purchasing power. The moderation was broad-based across cereals, meat, fish, and edible oils, although a few categories, such as fruit, remained relatively elevated. Overall, the inflation environment in March remained considerably softer than a year earlier, with the year-to-date average for January to March 2026 standing at about 2.5%, below the 3.5% full-year average recorded in 2025.

Regionally, inflation varied significantly across Namibia's three statistical zones in March 2026. Zone 1, covering the eight northern and north-eastern regions, recorded the lowest rate at 1.0%, well below Zone 2 (Khomas/Windhoek) at 3.2% and Zone 3 (southern and coastal regions) at 2.0%. The divergence reflects Windhoek's higher exposure to sticky housing and service costs, while the northern zones benefited more from easing food and fuel prices.

Figure 1: Annual Inflation Rate, March 2025 to March 2026



Source:NSA

2. Analysis

The transport category, which carries a weight of about 14.3% in the CPI basket, recorded annual inflation of -1.7% in March 2026, compared with 2.6% in March 2025. This marks a further softening from the -1.0% recorded in February and confirms that transport remained the principal disinflationary category in the consumer basket during the month under review.

The decline was again driven by the operation of the personal transport equipment subgroup, which moved from 2.7% in March 2025 to -3.3% in March 2026. Within this, petrol and diesel prices fell from 2.5% inflation a year earlier to -7.7% in March 2026. This sharp reversal remained the single most important factor holding down transport inflation and, by extension, headline inflation.

The purchase of vehicles subgroup also remained subdued, slowing from 3.2% in March 2025 to 1.4% in March 2026. Motor cars moderated from 3.0% to 1.4%, while motor cycles slowed from 7.5% to 1.6%, pointing to softer price momentum in vehicle-related categories. At the same time, air transportation inflation remained positive at 5.7%, but this was still far below the exceptionally high 19.0% recorded in March 2025.

Taken together, these trends meant that transport subtracted about 0.25 percentage points from annual headline inflation in March 2026. Without the fuel-led drag from transport, headline inflation would have been materially higher.

The housing, water, electricity, gas and other fuels category, which is the largest component of the CPI basket at 28.4%, recorded annual inflation of 4.6% in March 2026, compared with 3.8% in March 2025. Although marginally lower than in February, it remained the dominant source of inflation persistence in the basket.

Within this category, rental payments increased by 5.0% year on year in March 2026, up from 4.2% in March 2025, indicating continued firmness in accommodation costs. Electricity charges rose by 3.9%, compared with 3.1% a year earlier, while gas prices increased by 4.0%, representing a clear reversal from the -3.5% recorded in March 2025. These items continued to exert significant upward pressure on household costs.

One offsetting factor was water supply, sewerage services and refuse collection, which slowed materially to 1.3% in March 2026 from 4.2% in March 2025. Even so, the broader housing block remained the single most important contributor to inflation and accounted for more than half of the overall increase in consumer prices.

The implication is that while headline inflation has come down, housing-related costs remain relatively sticky. This matters because these are recurring and non-discretionary expenses for households, which means they continue to affect the cost of living even in a lower-inflation environment.

The food and non-alcoholic beverages category, which accounts for 16.4% of the CPI basket, recorded annual inflation of 1.7% in March 2026, down sharply from 6.2% in March 2025. This confirms that food inflation remained on a clear moderating path through the first quarter of the year.

The easing was broad-based across several major food subgroups. Bread and cereals remained in deflation at -1.1%, compared with 6.1% inflation a year earlier. Meat inflation slowed from 7.4% to 2.9%, while fish decelerated from 7.9% to 1.3%. Oils and fats also eased significantly, from 5.2% in March 2025 to 1.6% in March 2026, indicating that earlier imported food cost pressures had continued to recede.

Not all food categories softened equally. Fruit remained relatively elevated at 13.0%, although this was still lower than the 17.3% recorded a year earlier. Coffee, tea and cocoa remained positive at 4.3%, while milk, cheese and eggs moved from slight deflation in March 2025 to 1.3% inflation in March 2026. Even so, the broader food picture remained substantially more benign than a year earlier.

This moderation in food inflation is important from both a macroeconomic and welfare perspective. Food is one of the most visible and politically sensitive components of the basket, and its recent easing has been central to the broader decline in headline inflation.

Outside transport, housing, and food, inflation dynamics were mixed but generally contained. Alcoholic beverages and tobacco recorded inflation of 1.9% in March 2026, while furnishings and household equipment remained relatively elevated at 3.4%. Health strengthened further to 4.5%, indicating continued pressure in health-related costs.

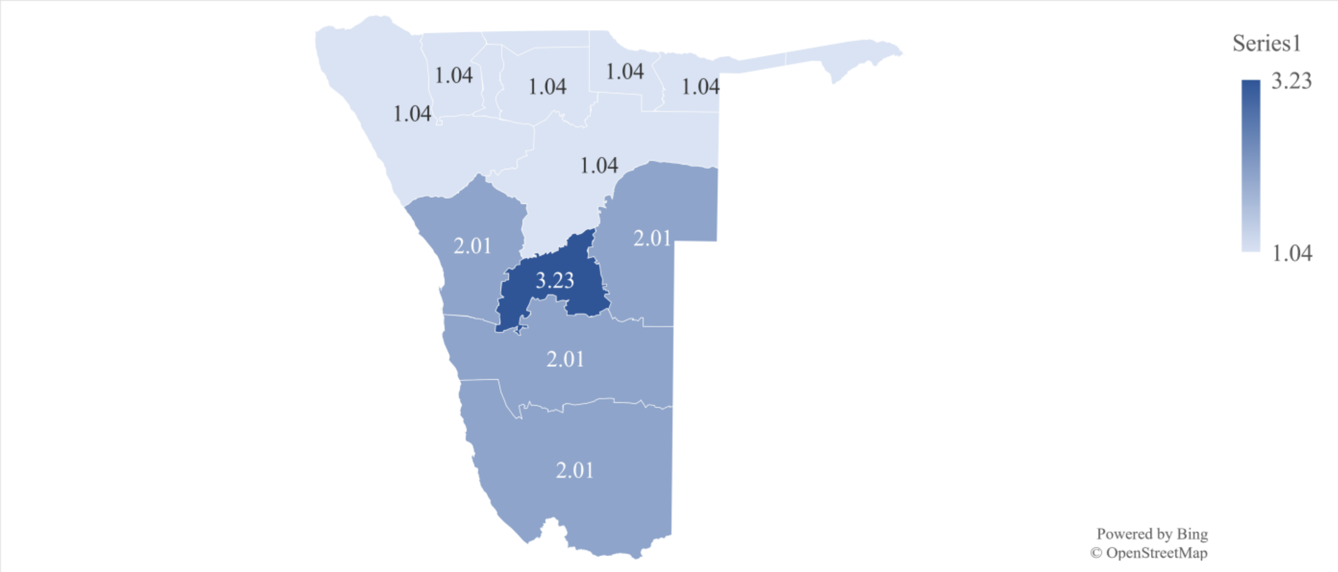
Recreation and culture recorded 3.9%, while education stood at 2.4%. Hotels, cafés and restaurants slowed to 3.7%, from a much higher level a year earlier, but still pointed to some persistence in service-related price pressures. Miscellaneous goods and services remained moderate at 1.2%.

A useful way to read the March inflation profile is through the distinction between goods and services. Based on the March data, services inflation remained materially higher than goods inflation, suggesting that while imported and tradable price pressures have softened, domestically driven and service-linked costs have been easing more slowly. This is consistent with the continued strength seen in housing, rentals, health, and selected household services.

All of the above changes are illustrated below on Figure 2.

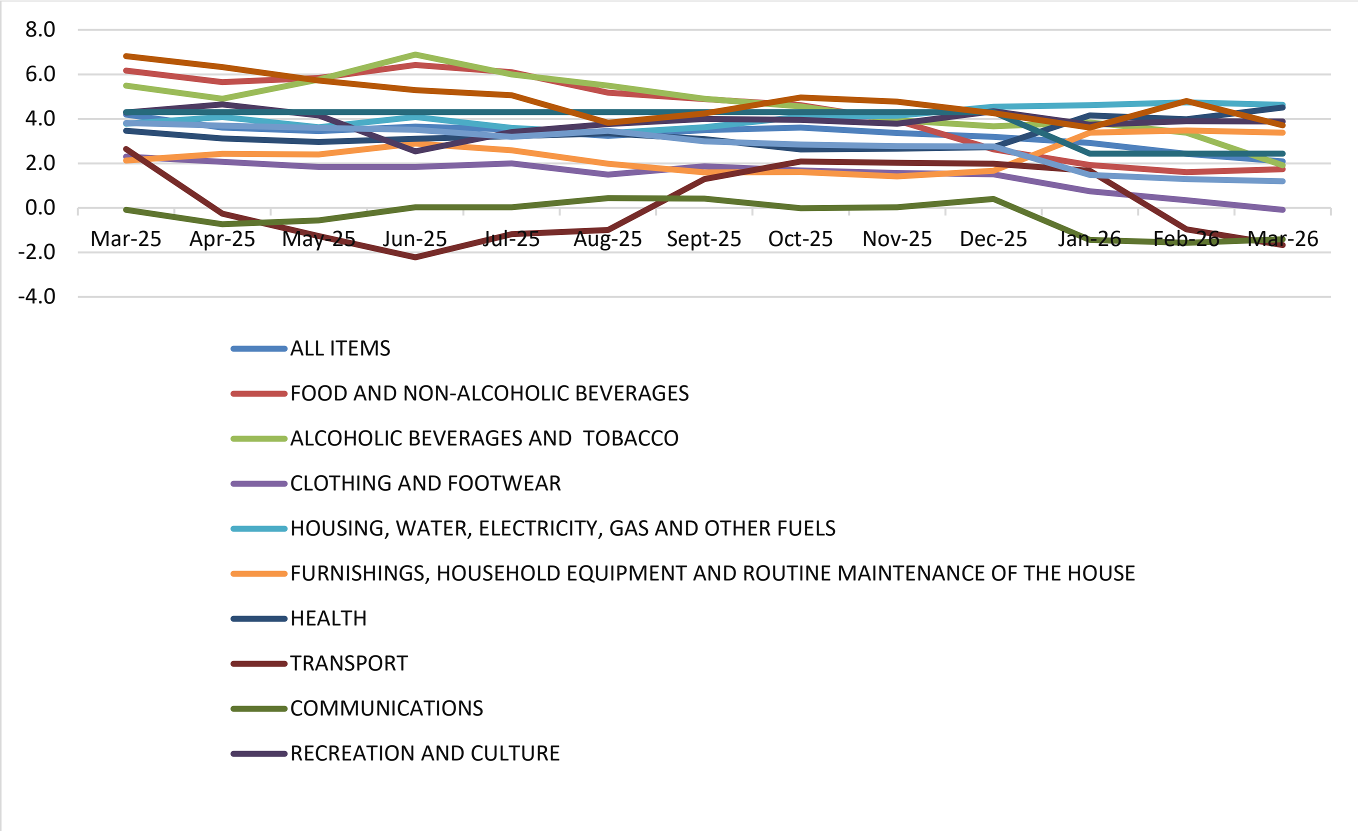
In March 2026, annual inflation varied considerably across Namibia's three statistical zones, reflecting structural differences in the composition of local price baskets and the regional distribution of inflationary pressures. Zone 1, which covers the eight northern and north-eastern regions of Kunene, Otjozondjupa, Oshikoto, Oshana, Omusati, Kavango East, Kavango West and Zambezi, recorded the lowest annual inflation rate at 1.0% in March 2026, down sharply from 4.2% in March 2025 and continuing the steady deceleration observed over the past year. Zone 2, comprising of only the Khomas region with price collection centred in Windhoek, recorded the highest inflation at 3.2%, maintaining a consistent premium over the other zones that has persisted throughout 2025 and into 2026. Zone 3, covering Hardap, ||Kharas, Omaheke and Erongo, came in at 2.0%, down from 4.4% a year earlier.

Annual Inflation Rates by Zone, March 2025 to March 2026



The wide gap between Zone 1 and Zone 2 reflects the dominance of housing-related costs in Windhoek, where rental prices, electricity and gas charges have remained elevated. As the capital city, Windhoek carries higher and more persistent service-sector price pressures, including accommodation, household utilities and urban services, all of which feature prominently in the Zone 2 basket. By contrast, Zone 1 has seen a sharper benefit from easing food and fuel prices, which are more significant components of the consumption basket in the northern regions. Zone 3's mid-range reading reflects the mixed economic profile of the southern and coastal regions, with some exposure to housing costs in Swakopmund and Gobabis, but a broader moderation in goods prices. The narrowing of Zone 1 inflation to just 1.0% is notable and suggests that the disinflation in food and transport was particularly pronounced in the northern zones. This has positive implications for household cost-of-living pressures in those regions, though the April 2026 fuel price adjustment is likely to affect Zone 1 more directly given the importance of fuel costs and road freight in those areas.

Figure 2: Annual Inflation by Category, March 2025 to March 2026



Source:NSA

3. Outlook

Namibia's inflation outlook remains relatively contained in the immediate term, but the risk profile has shifted somewhat following the large April 2026 fuel price adjustment. The Ministry of Industries, Mines and Energy announced an increase of N$2.50 per litre for petrol and N$4.00 per litre for both diesel grades, effective 1 April 2026. In Walvis Bay, this raised pump prices to N$22.08 per litre for petrol, N$23.63 for diesel 50ppm, and N$23.73 for diesel 10ppm. The Ministry linked the adjustment to sharply higher international fuel prices during March, escalating Middle East tensions, higher freight and insurance costs, and a weaker Namibia dollar against the US dollar. ([Ministry of Industries, Mines and Energy][1])

This matters because the March inflation outcome was still benefiting from fuel deflation. In other words, one of the key factors that helped keep headline inflation at 2.1% is unlikely to provide the same degree of relief going forward. The direct first-round effect of the April adjustment will be most visible in the transport category, especially in the fuel-sensitive components of operation of personal transport equipment. As a result, transport is likely to become less disinflationary, or potentially mildly inflationary, from April onward.

The broader concern, however, lies in the second-round effects, particularly from diesel. Diesel is the main operating fuel for road freight, public and commercial transport, logistics fleets, agriculture, mining support activity, generators, construction equipment, and a wide range of business distribution networks. A N$4.00 per litre diesel increase is therefore not confined to the filling station. It raises the cost of moving goods across the country, especially food, imported consumer products, construction materials, and other diesel-intensive inputs. Given Namibia's heavy reliance on imported refined petroleum products, the pass-through from global fuel-market shocks into domestic costs can be meaningful.

The transmission into consumer inflation is likely to be sequential rather than immediate. The direct fuel effect begins in April. The freight and distribution effect is more likely to become visible from May onward, once transport operators, wholesalers, retailers, and service providers begin repricing. This means the trickle-down effect is unlikely to be limited to the transport line in CPI. It could also begin feeding into food inflation, particularly for goods with long domestic supply chains, and into selected services where transport and delivery costs are important inputs.

That said, the pass-through may be somewhat cushioned. The Ministry stated that Cabinet resolved to temporarily reduce fuel levies by 50% for three months, from April to June 2026, while the remaining under-recovery would be absorbed by the National Energy Fund, estimated at about N$500 million. This means the full external cost shock was not passed through immediately to consumers, which should soften, though not eliminate, the inflationary impact in the near term.

Food inflation is therefore likely to face renewed upside pressure after several months of moderation. The March data showed clear relief across cereals, meat, fish, and edible oils, but the April fuel shock introduces a new cost channel through transportation, warehousing, and distribution. The most likely outcome is not an immediate return to the high food inflation rates seen in early 2025, but rather a gradual firming from the unusually low levels recorded in early 2026.

Housing-related inflation is also likely to remain sticky. Rental costs, electricity, and gas were already contributing strongly to headline inflation in March, and these are categories that do not typically adjust downward quickly. This suggests that even if the broader inflation environment remains relatively moderate, the composition of inflation may become somewhat less favourable to households, with transport and food pressures re-emerging on top of already firm housing costs.

From a monetary policy perspective, the latest published Bank of Namibia decision kept the repo rate at 6.50% in February 2026, reflecting a preference to preserve the currency peg and maintain stability in domestic price expectations. That stance remains consistent with a still-moderate inflation environment, although the April fuel increase does raise the probability that inflation bottoms out in the first quarter before edging somewhat higher in the months ahead. ([Bon][2])

Overall, Namibia entered the second quarter from a position of relatively low headline inflation, but the April fuel adjustment represents a clear near-term upside risk. Across regions, the impact will not be uniform. Zone 1 faces the most direct exposure, as transport and distribution costs represent a larger share of household expenditure there and road freight is the primary channel for food and consumer goods, meaning higher diesel prices will feed through relatively quickly into local price levels. Zone 2 (Khomas) faces a different but equally persistent pressure, with housing and service inflation unlikely to ease quickly. The most probable national path is that transport stops acting as a strong drag on inflation, while freight, food distribution, and diesel-intensive services begin to place renewed upward pressure on prices from May onward. Headline inflation may therefore remain moderate by historical standards, but the disinflation trend seen in early 2026 is unlikely to continue at the same pace.