Namibia Economic Observatory

NAMIBIA ECONOMIC OBSERVATORY

Namibia Inflation Outlook 2026

Trends, Drivers and the Path Ahead for Headline CPI

Published August 2026
Namibia Economic Observatory | neo-namibia.org

Executive Summary

Namibia's headline inflation has re-accelerated through the first half of 2026, climbing from a low of 2.1% year-on-year in March to 4.4% in June — the highest reading since August 2024. The turnaround has been driven overwhelmingly by transport costs, which surged to 12.9% year-on-year in June after successive fuel price increases, alongside firmer pressure in housing, utilities, recreation and hospitality.

Forecasters remain split on where the year ends up. The Bank of Namibia's Monetary Policy Committee revised its 2026 average inflation forecast up to 4.0% in June, citing global and domestic price pressures. FNB Namibia moved the other way, cutting its forecast to 3.7% after July fuel price relief. Independent research house Simonis Storm sits at the upper end, projecting 4.5%–5.0% for the year on continued fuel and tariff pass-through. This publication reviews the year-to-date data, compares the leading forecasts, and outlines the key upside and downside risks for the remainder of 2026.

1. Recent Inflation Trends

Headline CPI inflation troughed at 2.1% y/y in March 2026 — a decline led by housing, food and non-alcoholic beverages, and alcoholic beverages and tobacco. Since then, inflation has risen for three consecutive months, driven by an April fuel price adjustment (petrol +N$2.50/litre, diesel +N$4.00/litre) that pushed transport inflation from -1.7% to 5.0% in a single month. By June, transport inflation had reached 12.9% y/y, the standout contributor to the broader CPI acceleration.

Month (2026)	Headline CPI (y/y)	Transport (y/y)	Main Driver
March	2.1%	n/a	Decline led by housing, food and alcoholic beverages
April	3.1%	5.0%	Sharpest monthly rise in 3+ years after fuel price hikes (petrol +N$2.50/l, diesel +N$4.00/l)
May	4.1%	11.5%	Continued fuel and housing/utilities pass-through
June	4.4%	12.9%	Highest reading since Aug 2024; transport, recreation and hospitality led gains

Beyond transport, June's print also showed broadening price pressure: recreation and culture inflation rose to 5.6% (from 3.8% in May), hotels, cafés and restaurants advanced to 5.5%, and food and non-alcoholic beverages ticked up to 2.5%. Partially offsetting this, housing and utilities inflation eased slightly to 4.4% from 4.9%, as did health inflation. On a monthly basis, CPI growth slowed to 0.3% in June from a 1.2% rise in May, suggesting the pace of new price increases may be moderating even as the annual rate stays elevated.

2. 2026 Forecast Comparison

The following table summarises the most recent 2026 average inflation forecasts from Namibia's central bank and leading commercial and independent research houses:

Source	2026 Forecast	Date Issued	Key Rationale
Bank of Namibia (MPC)	4.0%	June 2026	Revised up from 3.7% (April) on higher oil prices and global inflationary pressure
FNB Namibia	3.7%	July 2026	Cut from 4.2% on lower fuel prices after July fuel price reductions
Simonis Storm	4.5% – 5.0%	May 2026	Fuel, transport and utility tariff pass-through expected in H2 2026
IMF / Statista	3.9%	April 2026	Medium-term projection consistent with pre-pandemic average range

The spread between forecasts — from FNB's 3.7% to Simonis Storm's 4.5%–5.0% — reflects genuine uncertainty over the trajectory of global oil prices and the extent to which fuel cost relief in July offsets the pressure built up earlier in the year. The Bank of Namibia's own short-term projections, published in April, had inflation rising from 2.9% in April to 3.1% by June — a path the actual data has already overshot, which helps explain the MPC's upward revision in June.

3. Key Drivers

Upside pressures

- Fuel and transport costs: April's petrol and diesel price increases remain the single largest driver of the 2026 inflation surge, with transport inflation still running above 12% y/y as of June.
- Administered prices: Housing and utility tariffs are widely flagged by forecasters (including FNB) as "sticky" and likely to stay elevated regardless of the fuel price path.
- External risk: Namibia's currency peg to the South African rand ties monetary policy closely to the SARB. South African inflation accelerated to 5.0% y/y in June, and markets expect the SARB to resume tightening later in 2026 — a dynamic the Bank of Namibia will likely need to match to defend the peg.
- Global oil market volatility: Geopolitical tensions in the Middle East remain a wildcard for Brent crude, with Simonis Storm's base case assuming US$95–110/barrel through Q2–Q3 2026.

Downside / relieving factors

- July fuel price cuts: Petrol fell by N$1.00/litre and both diesel grades by N$4.00/litre in July, prompting FNB's downward forecast revision to 3.7%.
- Slowing month-on-month momentum: The 0.3% m/m CPI increase in June, down from 1.2% in May, suggests the pace of fresh price increases is cooling even if the annual rate remains elevated.

- Food and housing disinflation earlier in the year: March's decline was led by housing and food categories, indicating these components can still act as a drag when transport pressure eases.

4. Policy and Rate Context

In response to the inflation upturn, the Bank of Namibia raised its repo rate by 25 basis points to 6.75% in June 2026 — its first hike in three years — citing rising global and domestic inflationary pressure despite subdued domestic economic activity and sluggish credit extension. FNB Namibia expects the Bank to hold rates at its August 2026 meeting before a further 25-basis-point increase in October, keeping policy aligned with an anticipated move by the South African Reserve Bank. Household credit growth is projected to remain modest, around 4.1% for the year, until inflationary pressure eases more decisively.

5. Outlook for H2 2026

Taking the available forecasts together, headline inflation for full-year 2026 most plausibly lands in the 3.7%–4.5% range, with the balance of risk still tilted upward given administered-price stickiness and external oil-market uncertainty. The key swing factor is fuel prices: further relief at the pump would support the lower end of this range (as in FNB's revised call), while renewed geopolitical or global supply pressure would validate Simonis Storm's higher forecast. The Bank of Namibia's own 4.0% projection, issued after the worst of the H1 acceleration was already visible, sits roughly in the middle of the range and is a reasonable central estimate for NEO's own tracking purposes through year-end.

Sources

Bank of Namibia Monetary Policy Committee statements (April, June 2026); FNB Namibia CPI Review (July 2026); Simonis Storm economic commentary (May 2026); Namibia Statistics Agency CPI releases (March–June 2026); IMF World Economic Outlook data via Statista (April 2026); CNBC Africa, The Brief, Windhoek Observer, Trading Economics.