Newsletter | August 2026

Capricorn Asset Management
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The growth vs inflation toss-up

Inflation is high, but contained (so far)

Central Banks are facing a challenging trade-off: inflation remains high, but growth is weak. Higher interest rates may help curb inflation but will also put pressure on the economy and growth. In June, the South African Reserve Bank held the repo rate steady at 7.00%. The reasons SARB gave for this decision were weak growth and the belief that inflation had peaked. The Bank of Namibia also chose to hold rates steady at its August meeting, following a July inflation rate of 4.4% – the same as in June.

Although inflation in South Africa remains above the 3% target set by the SARB, it thus far seems to be contained within transport, housing and utilities. South Africa's July inflation rate stood at 4.3%, down from 5% in June. Rising housing, utilities and transport prices accounted for 58% of the overall price increase. Likewise, in Namibia, transport, housing and utilities accounted for 60% of the 4.4% inflation rate reported in July.

Lower fuel prices in both South Africa and Namibia may have contained inflation in July. However, fuel prices in South Africa rose in August, and diesel prices in Namibia were also hiked (see table below). Diesel makes up approximately 70% of Namibia's fuel consumption, so higher diesel prices will have a disproportionate effect on the economy. Today, Namibians and South Africans are paying approximately 20% more for petrol than they were one year ago, and 32% more for diesel.

Central Banks will be watching closely to see if higher fuel costs begin to impact other categories of goods and services – for example, food prices. If we begin to see these "second-order effects" of inflation, Central Banks are more likely to hike rates. Second-order effects are often harder to curb, even when the initial inflation shock has passed.

Growth is weak

The US-Iran war has weakened global growth, and this is no different in Namibia and South Africa. The Bank of Namibia has revised its 2026 growth estimate down to 2.1%. The Bank cited subdued private sector credit extension, a worsening trade deficit and weak growth in the mining, manufacturing, utilities and transport sectors as reasons for revising the growth rate downwards.

In South Africa, mining and manufacturing production decreased by 4% and 1.7% year-on-year in June, respectively. This means that these industries are producing less than they were a year ago. Consumer confidence, measured by the FNB/BER Consumer Confidence Index, also declined in June, suggesting that South Africans are spending less. Higher fuel prices were given as the main reason for lower consumer confidence and declining production in mining and manufacturing.

South Africa's economic weakness was also clearly evident in the release of its second-quarter labour force statistics (QLFS).

Namibia Fuel Price

	August 2026 price	July 2026 Price	Change in price	% change	ytd % change	yoy % change
P	NAD 24.48	NAD 22.48	NAD 2.00	8.90%	18.95%	20.18%
D50	NAD 26.26	NAD 24.26	NAD 2.00	8.24%	30.45%	31.83%
D10	NAD 26.36	NAD 24.36	NAD 2.00	8.21%	30.30%	31.67%

South Africa Fuel Price

	August 2026 price	July 2026 Price	Change in price	% change	ytd % change	yoy % change
P93	R24.63	R25.15	-R0.52	-2.07%	20.32%	18.87%
P95	R24.71	R25.23	-R0.52	-2.06%	20.07%	19.03%
D50	R25.30	R24.41	R0.89	3.65%	31.36%	31.22%
D500	R25.64	R23.91	R1.73	7.24%	35.30%	33.75%

Namibia at a Turning Point

Near-term pressures. Long-term possibilities. A changing investment landscape.

Namibia is entering a potentially defining period in its economic development.

In the near term, the country faces a challenging combination of elevated borrowing costs, inflationary pressures, a rigid government expenditure structure and rising public debt. Yet beneath these pressures, a very different story is taking shape.

Gold and uranium are strengthening Namibia's mining base. Copper investment is returning. Foreign direct investment has accelerated following major offshore discoveries. Tourism continues its recovery. And beyond the current cycle, oil, gas and green hydrogen have the potential to fundamentally reshape the country's economic landscape.

The question is no longer simply **how Namibia navigates today's challenges, but what kind of economy could emerge on the other side.**

A mining sector being reshaped

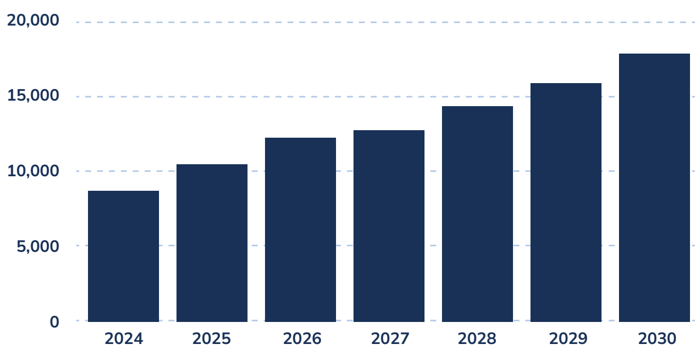
Mining remains central to Namibia's economic story, but the composition of the sector is changing.

Weakness in the global diamond market has placed pressure on a historically important source of revenue. At the same time, gold and uranium have emerged as increasingly important counterweights. In 2025, the mining sector contributed a record N$7.8 billion in taxes to government, despite an overall contraction in real mining value added.

Uranium is particularly important to the medium-term outlook. As global demand for nuclear energy increases, new projects and expanded production could lift Namibia's uranium output substantially towards 2030. Copper could provide another growth pillar as global electrification, renewable energy infrastructure and AI-related demand increase the strategic importance of the metal.

Namibia's uranium production outlook

Projected total uranium production by mine, 2024–2030.



Source: CAM report; Chamber of Mines of Namibia and CAM projections.

The result is a more diversified mineral economy. One that may be better positioned to absorb weakness in individual commodities.

N$7.8 Billion

Mining taxes and royalties paid to government in 2025

18.5%

Projected mining share of GDP by 2030

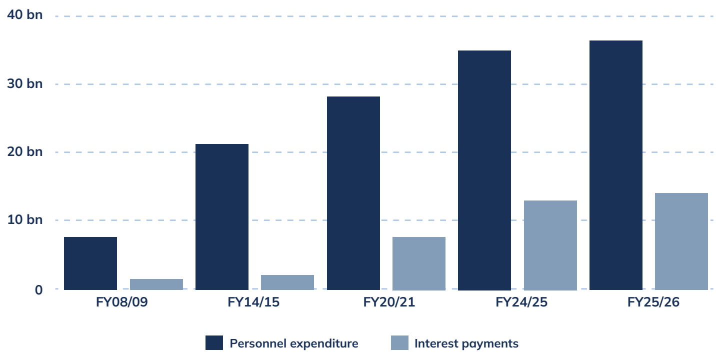
The immediate challenge: inflation, debt and higher rates

The growth outlook is not without significant risks.

Namibia's public finances have become increasingly constrained. Government expenditure remains heavily committed to wages and debt servicing, limiting the amount available for development and infrastructure.

The growing cost of government commitments

Personnel expenditure and interest payments over selected fiscal years.



Source: CAM report; Ministry of Finance.

At the same time, geopolitical tensions have demonstrated just how quickly external events can reach Namibian households and financial markets.

Higher global oil prices feed into domestic fuel costs, which influence transport and food prices. Higher inflation can, in turn, lead to tighter monetary policy and rising government bond yields.

For investors, however, that pressure creates another side to the story: higher yields can create attractive long-term fixed-income opportunities, particularly where yields remain comfortably above expected inflation.

Current government bond yields highlighted in the report include approximately 9.12% on the GC32 and 11.37% on the GC50, illustrating the income available further along the Namibian yield curve.

Investment is already looking ahead

Perhaps one of the clearest indications of changing expectations for Namibia is the extraordinary increase in foreign direct investment (FDI).

Following net FDI outflows during 2019 and 2020, investment rebounded strongly as exploration activity accelerated in the Orange Basin. Between 2021 and 2024, cumulative net FDI inflows exceeded **US$6.1 billion**, with 2023 alone attracting approximately **US$2.29 billion, equivalent to 18.49% of GDP.**

This matters beyond the oil industry.

Large-scale investment can stimulate demand for construction, logistics, financial services, engineering, housing and local suppliers. If managed effectively, it can also support skills development, infrastructure and entirely new domestic industries.

Tourism provides another encouraging source of diversification. International arrivals increased by **45.5% in 2024 to approximately 1.26 million,** continuing the sector's strong recovery from the pandemic.

N$6.1 Billion +

Cumulative net FDI inflows from 2021–2024

+45.5%

Growth in international tourist arrivals during 2024

The opportunity beyond 2030

The most transformative possibility lies offshore.

Major deepwater discoveries in the Orange Basin could move Namibia from an exploration frontier towards an oil-producing economy. The report estimates that successful development could eventually add around **US$10 billion** to an economy currently estimated at roughly US$17 billion.

Green hydrogen offers a second, longer-term opportunity. Namibia's exceptional solar and wind resources create the potential not only to export green hydrogen and ammonia, but to develop industries such as green iron, synthetic fuels and mineral beneficiation.

Neither opportunity is guaranteed. Significant infrastructure, capital, skills and policy coordination will be required. How future resource revenues are managed will be equally important.

What does it mean for investors?

Namibia's investment landscape is therefore characterised by an unusual combination of near-term pressure and long-term opportunity.

Inflation, government debt, fiscal rigidity and geopolitical uncertainty are likely to keep financial markets volatile. At the same time, elevated bond yields may reward patient fixed-income investors, while the expansion of mining, tourism, FDI and potentially oil and green energy could gradually broaden the country's economic base.

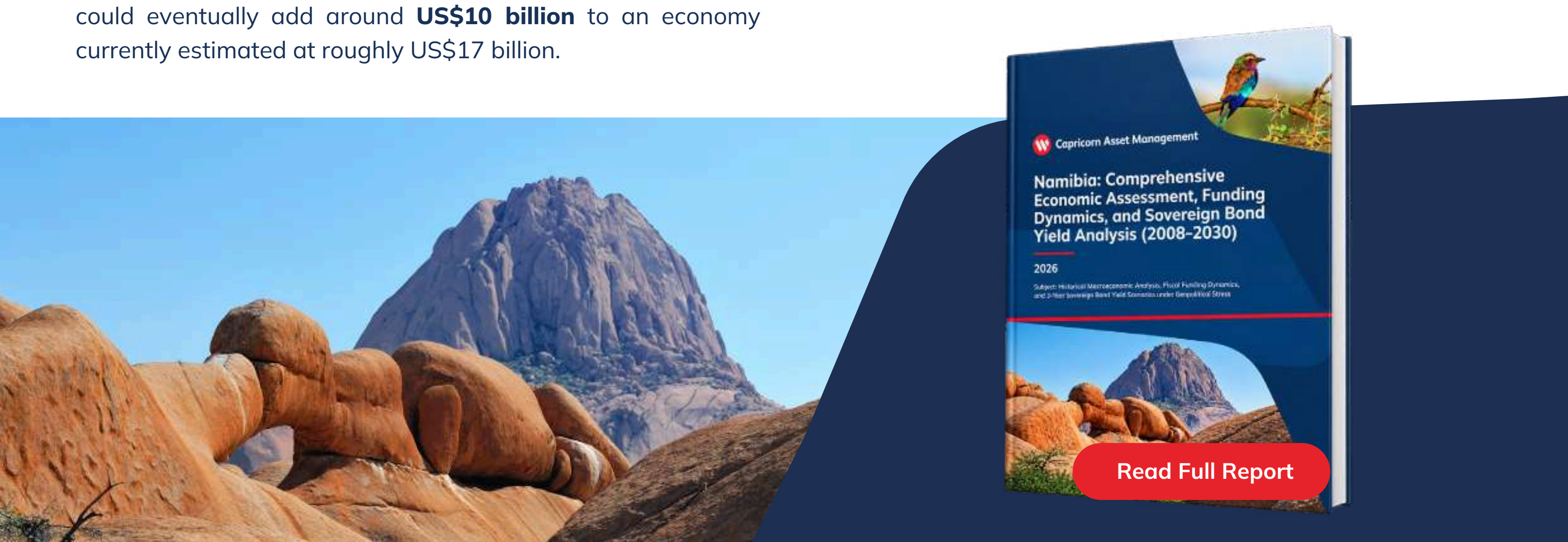
The coming years may represent more than another economic cycle. They could mark the beginning of a structural transition in Namibia's economy.

Understanding that transition, and the risks and opportunities it creates, will be increasingly important for long-term investors.

Want the complete picture?

Read our full report, **Namibia: Comprehensive Economic Assessment, Funding Dynamics, and Sovereign Bond Yield Analysis (2008-2030).** The report gives a detailed analysis behind Namibia's evolving economic and investment landscape.

The full report is available on our website at **www.cam.com.na**



Supporting the Growth of Inline Hockey in Namibia

For the second consecutive year, Capricorn Asset Management was proud to sponsor Africa Cup, Namibia's biggest inline hockey tournament.

This year's tournament brought together an impressive 297 players across 43 teams and 10 divisions, ranging from U6 through to adult beginner and Pro. With participants representing 15 different nationalities and two international referees also taking part, Africa Cup continues to grow as an exciting fixture on Namibia's sporting calendar.

One of the tournament's strengths is its focus on development. By providing opportunities for players from as young as U6 to compete alongside more experienced athletes, Africa Cup creates an important pathway for young talent to develop their skills, gain competitive experience and grow within the sport. The tournament also provided valuable preparation for Namibia's national teams ahead of the 2026 World Skate Games in Asunción, Paraguay, in October.

Through our continued sponsorship of Africa Cup, Capricorn Asset Management is proud to support the growth of inline hockey in Namibia and the development of the next generation of players.

KYC Compliance Update: Keeping Your Investments Active

Capricorn Asset Management continues to assist clients in updating their Know Your Client (KYC) information to meet Financial Intelligence Act requirements. Clients are encouraged to check their "FIA Compliant" status on their monthly statement or via Capricorn Online. If your status reflects "No", some account restrictions may apply until the required documentation is submitted and verified. Our team is ready to assist, and we thank all clients who have already completed the process for helping keep their accounts secure, compliant, and fully operational.