

GDP Report

Quarter 1 2024

1. Executive summary

- During the first quarter of 2024, Namibia's economy experienced a growth of 4.7%, which is a decline from the 5.3% growth seen in the same period in 2023. Figure 1
- The Real Gross Domestic Product (GDP) rose to N\$38.9 billion, an increase from N\$37.2 billion recorded during the corresponding quarter of 2023. This translated into a growth of N\$1.7 billion.
- The primary driver of this economic performance was the Primary industries, especially the 'Mining and quarrying' sector, which experienced a 6.6% growth. growth in the primary industry was due to an increase in diamond production.
- Significant improvement was also seen in the Tertiary industries, with notable growth in the 'Wholesale and retail trade', 'Health', and 'Financial services' sectors.
- However, the Secondary industries saw a slowdown, with a modest growth of 1.5%, due to declines in the 'Electricity and water', 'Construction', and contraction in the 'Manufacturing' sectors.
- On the demand side, there was a surge in private final consumption expenditure by 13.4%, and an increase in government final consumption expenditure by 4.1%, driven by higher public sector spending.
- Despite a strong investment in oil and gas exploration that led to a 23.5% increase in Gross Fixed Capital Formation, there was a decline in exports of goods and services by 17.3%, while imports rose by 4.1%. This decline suggests that the immediate benefits of the investment have not yet translated into increased export activity

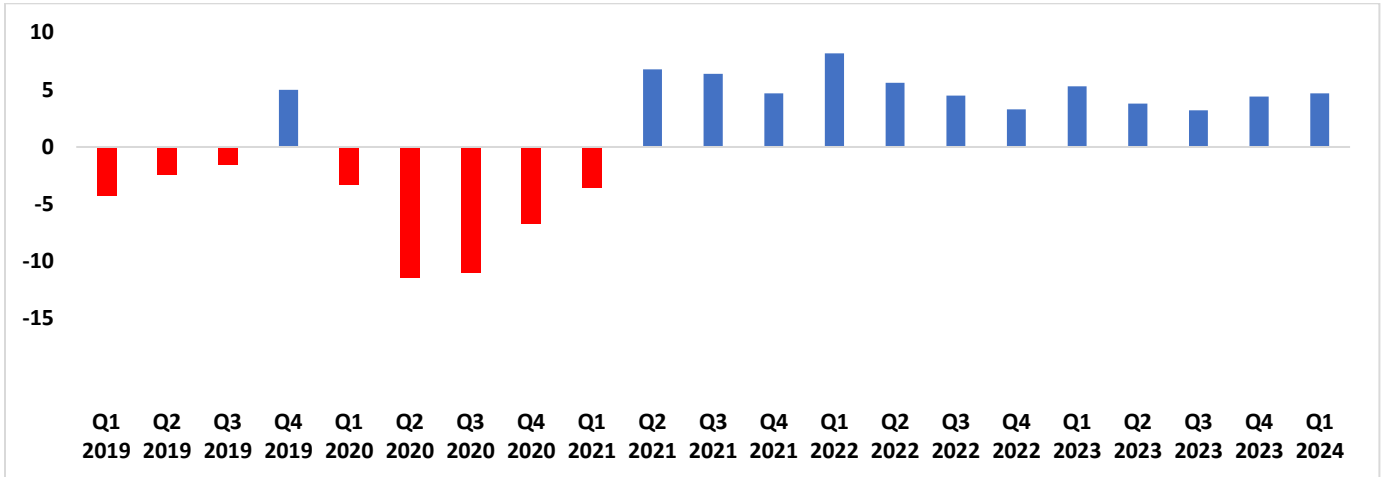
2. Analysis of Sectoral performance

- **Mining and Quarrying Sector:** The mining and quarrying sector experienced a growth of 6.6% in real value added during the first quarter of 2024. This growth rate was lower than the 21.8% growth witnessed in the first quarter of 2023. The slowdown in performance could be attributed to the deceleration in diamond production and a decline in uranium production. However, mineral exploration continued to show positive performance, with a 22.1% increase in real value added compared to 9.1% in the first quarter of 2023. This positive performance was due to continued investment in oil and gas activities. The mining and quarrying sector remains a significant contributor to Namibia's GDP.

- Electricity and Water Sector Growth:** The sector registered a growth of 9.8% in real value added during the first quarter of 2024. This growth rate was lower than the 32.9% increase recorded in the corresponding quarter of 2023. The electricity subsector posted a growth in real value added of 16.1% during the first quarter of 2024. However, this growth rate was significantly lower than the robust growth of 55.6% reported in the first quarter of 2023. This came as a result of a decline in the quantity of electricity sold which declined to 909 million KWH, representing a decline of 1.5% when compared to 922 million KWH recorded in the corresponding period of 2023. Additionally, the water subsector recorded a contraction of 4.5% in the first three months of 2024 due to a decline in water supply for irrigation
- Agriculture and Forestry:** Agriculture and Forestry ranks as the 12th largest contributor to GDP. The sector registered a growth of 1.6 % in real value added during the first quarter of 2024, relative to an increase of 1.9 % recorded in the corresponding quarter of 2023. Slow growth in the sector was due to low growth recorded for the crop subsector and the livestock subsector due to reduced slaughtering activities at abattoirs and butchers for cattle. In real terms the sector grew by N\$17 million when compared to the first quarter of 2023.
- Financial Intermediation sector** recorded a 5.3% increase in real value added during the quarter under review, relative to a 7.3% decrease that was posted in the corresponding quarter of 2023. This performance is credited to the banking services subsector, which recorded a 9.4% increase in real value added during the first quarter of 2024, compared to 1.8% decline registered in first quarter of 2023.
- Health sector** posted a 7.5% increase in real value added relative to 1.4% in the corresponding quarter of 2023. This performance is driven by the rise in employee's compensation due to an increase in the number of health personnel.
- Transport and Storage:** The Transport and storage sector experienced an increase in real value added of 7.6 %, slightly lower when compared to the 8.1 % registered in the corresponding quarter of 2023. The positive performance is supported by increased activities in all subsectors of transport with exception to Railway transport and 'Post and courier activities' which registered declines of 24.1 % and 1.7 % during the first quarter, respectively. The air transport subsector registered a growth of 21.0% in the first quarter of 2024, compared to an increase of 41.5 % registered in the corresponding quarter of 2023. In addition, Airport services subsector witnessed an accelerated growth of 7.1 % during the reporting period, emanating from the increase in aircraft movements. Passenger arrivals and aircraft movements increased by 20.9 % and 7.1 % during the first quarter of 2024. Meanwhile, 'Other supporting and auxiliary transport activities' subsector experienced double digit increase of 22.7 % during the first quarter of 2024; a reduced increase when compared to a growth of 30.3 % observed during the first quarter of 2023.

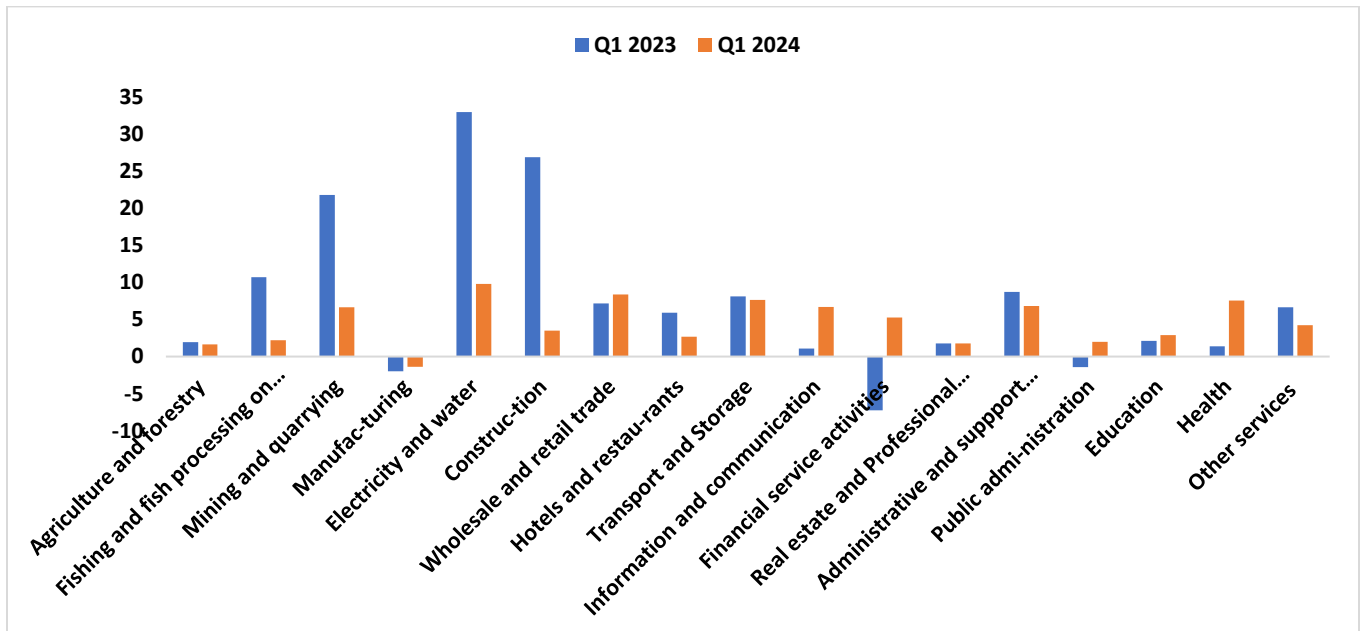
- **‘Hotels and restaurants’ sector** recorded a growth of 2.7 % in real value added during the first quarter of 2024, the ninth successive increase in economic activities after the last quarterly contraction experienced during the fourth quarter of 2021. The sector's growth was reflected by the increase in number of travelers from international, regional, and domestic destinations, which resulted in a high demand for accommodation and restaurants services. Furthermore, increased volumes in terms of the value of direct air connectivity also added to the sector's expansion.
- **Wholesale and retail trade** sector's economic activities continued with positive growth rates, registering an increase of 8.4% in real value added during the first quarter of 2024, compared to a growth of 7.2% posted in the first quarter of 2023. The sector continues to boast strong performance, of which is reflected in N\$2.3 billion increase in the revenue of wholesalers and retailers’ quarter on quarter.
- **Construction sector** registered a growth of 3.5% in real value added during the first quarter of 2024, compared to a growth of 26.8% recorded in the first quarter of 2023, mainly attributed to construction activities in green hydrogen. However overall performance is slower compared to the same quarter in 2023. The slow performance emanates from the government expenditure on construction, which contracted by 31.5% during the review period, compared to robust growth of 15.9% that was recorded in the corresponding quarter of 2023. The contraction in government expenditure was mainly reflected in the transportation infrastructure projects.
- On the downside, only the **Manufacturing sector** witness no growth. The Manufacturing sector posted a decline of 1.4 % in real value added in the first 3 months of 2024, which is somewhat an improvement when compared to a decrease of 2.0 % recorded in the corresponding quarter of 2023. The decline in performance in the sector was mainly reflected in the subsector ‘Diamond cutting and polishing’ that registered a decline of 44.1 % during the first quarter, compared to a decline of 0.4 % that was recorded in the first quarter of 2023. Similarly, Basic non-ferrous metals, Fabricated metals and Meat processing subsector’s registered declines in real value added of 20.7 %, 16.1 % and 14.8 %, compared to an increase of 5.0 %, 14.8 % and 13.3 % that was recorded in the corresponding quarter of 2023. Furthermore, subsectors of Dairy products, ‘Leather and leather products’, ‘Wood and wood products’ and ‘Other non-metallic mineral products’ posted contractions in real value added of 10.0 %, 1.4 %, 1.2 % and 0.5 %, respectively (Figure 2).

Figure 1: Namibia GDP Growth rates (Q1 2021-Q1 2024)



Source: NSA & HEI RESEARCH

Figure 2: Namibia GDP by activity % change Quarter 1 2024 vs Quarter 1 2023



Source: NSA & HEI Research

3. Outlook

The Namibia's economy has shown strong growth, especially in mining and agriculture, despite challenges in manufacturing sector. The mining sector, facing diamond and uranium slowdowns is now being propelled by oil and gas exploration, which has become a major contributor. Agriculture has proven resilience, benefiting from increased livestock marketing. The construction sector continues to grow albeit marginally, mainly due to increased government spending. Risks remain, including uncertainties in the investment environment, slow progress in power generation, global developments, high living costs, high cost of imports, water supply interruptions affecting mining, and the persistent threat of drought. Despite these challenges, the outlook for the rest of 2024 and beyond seems promising due to strategic initiatives, financial commitments, and positive performance in key sectors, contributing to Namibia's overall economic resilience and growth potential.

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