

Quarter 2 2024

Executive summary

In the second quarter of 2024, Namibia's economy grew by 3.5%, a slight improvement compared to the 3.6% contraction experienced during the same period in 2023. Figure 1

The Real Gross Domestic Product (GDP) rose to N\$39.1 billion, an increase from N\$37.7 billion recorded during the corresponding quarter of 2023. This translated into a growth of N\$1.4 billion in real terms.

The primary driver of this economic performance was the tertiary industries, especially the 'Financial Service' sector, which experienced a 30% growth, mainly attributed to the the insurance subsector which registered a strong growth rate of 45.7% in real value added during the quarter under review, after recording a negative growth rate of 9.2% in the corresponding period of 2023.

However, the Primary industries witnessed a decline of 4.9% in real value added compared to a 3.4% increase recorded in the second quarter of 2023. The poor performance in economic activities was driven by the 'Agriculture and forestry' and 'Mining and quarrying' sectors, which registered declines of 4.9% and 6.6% in real value added, respectively.

Moreover, investment in oil and gas exploration slowed down in the quarter under review, the Gross Fixed Capital Formation recorded an increase of 12.8 % relative to a growth of 79.9% posted in the corresponding quarter of 2023. Exports of goods and services posted a decline of 1.7 % during the quarter under review, while Imports increased by 10.7 % resulting in the external balance deficit.

Analysis of Sectoral Performance

- Financial services

The Financial services activities sector recorded an increase of 30.0 % in real value-added during the quarter under review, relative to a 4.6 % decrease that was posted in the corresponding quarter of 2023. This substantial performance is mainly credited to the insurance subsector which witnessed robust growth rate of 45.7 % in real value added during the quarter under review, The performance emanated from the surge in gross premiums written during the quarter under review.

- Manufacturing

The Manufacturing sector posted an increase of 0.6 % in real value added during the period under review, compared to an increase of 3.0 % recorded in the corresponding quarter of 2023. The positive performance in the sector was mainly reflected in the subsector of 'Grain mill products' that registered an increase of 26.1 % during the period under review, compared to an increase of 0.2 % that was recorded in the corresponding quarter of 2023. Similarly, 'Chemicals and

chemical products', 'Other non-metallic mineral products and Beverage subsectors registered growth rates in real value added of 13.2 %, 6.9 % and 4.7 % during the period under review, compared to declines of 3.8 %, 4.8 % and 23.3 % that was recorded in the corresponding quarter of 2023

- Mining and quarrying

Mining and quarrying' sector recorded a decline of 6.6 % in real value added during the quarter under review compared to a growth of 27.8 % witnessed in the corresponding quarter of 2023. The slow performance is mainly attributed to the subsectors of diamond and uranium, due to a decrease in diamond production, the diamond subsector recorded a decline of 11.8 % in real value added during the second quarter of 2024, down from 22.2 % growth observed in the corresponding quarter of 2023. Similarly, the uranium subsector experienced a contraction of 16.6 % in real value added, in contrast to 59.5 % increase registered in the second quarter of 2023.

- Fishing and fish processing on board

Fishing and fish processing on board' sector registered a slow growth of 1.4 % in real value added during the period under review, compared to a growth of 9.2 % recorded in the corresponding quarter of 2023. The slow growth in the sector is observed in 'Other fisheries' that declined by 36.5 % compared to an increase of 8.6 % posted in the corresponding quarter of 2023. However, the landings of Demersal fisheries increased by 7.5 % compared to an increase of 3.6 % recorded in the second quarter of 2023. In addition, the landings for Midwater fisheries increased by 6.0 % compared to a decline of 1.5 % registered in the corresponding quarter of 2023.

- Agriculture and forestry

The 'Agriculture and forestry' sector experienced a decline of 4.9 % in real value added during the second quarter of 2024. This represents an improvement when compared to a contraction of 32.5 % observed in the same quarter of 2023. The slow growth in the sector of 'Agriculture and forestry' is primarily attributed to the crop farming subsector which recorded a decline in real value added of 11.0 %. The performance of the crop subsector was impacted by a shortfall in rainfall, which led to poor production during the quarter under review. Further, the Livestock subsector recorded a marginal decline of 0.3 % during the quarter under review compared to a growth of 12.8 % posted during the corresponding quarter of 2023. This is due to a reduction in the number of small livestock marketed to export approved abattoirs and butchers that declined by 44.9 % in the current quarter, compared to a growth of 6.8 % recorded in the second quarter of 2023. The slaughtering activities at abattoirs and butchers for cattle recorded an increase of 6.7 % in the second quarter of 2024 relative to a higher growth of 35.4 % recorded in the corresponding quarter of 2023.

- Construction

The Construction sector registered a growth of 3.1 % in real value added during the period under review, compared to a decline of 9.1 % recorded in the corresponding quarter of 2023. The growth in the construction sector is mainly attributed to the government's expenditure on construction activities. The government expenditure on construction increased by 15.7 % during the period under review, compared to a contraction of 51.0 % registered in the same quarter of 2023.

- Hotels and restaurants

The ‘Hotels and restaurants’ sector recorded a growth of 3.6 % in real value added during the second quarter of 2024, the tenth successive increase in economic activities after the last contraction experienced during the fourth quarter of 2021. The positive performance in the sector is owed to both Hotels and Restaurants subsectors which registered growths in real value added of 4.4 % and 1.8 % during the period under review.

- Transport and storage

During the quarter under review, the ‘Transport and storage’ sector experienced an increase in real value added of 8.4 %, compared to an increase of 9.6 % registered in the corresponding quarter of 2023. The performance is supported by increased activities in all subsectors of transport with exception to ‘Other supporting and auxiliary transport activities’, Transport via railways and ‘Post and courier activities’ which registered declines of 17.4 %, 14.0 % and 0.2 % during the period under review, respectively. The subsector of Air transport continued a positive trajectory since the second quarter of 2021 due to an increase in passenger arrivals although remaining below pre-pandemic levels. Meanwhile, Port services, Freight transport by road, and Passenger transport by road subsectors grew by 11.7 %, 10.8 %, and 6.9 % during the second quarter of 2024

- Administrative and support services

‘Administrative and support services’ sector grew by 3.4 % in real value added during the second quarter of 2024, compared to a growth of 6.2 % that was registered in the same quarter of 2023, The decelerated performance in the sector is owed to the security services subsector which registered a decline of 1.1 % in real revenues during the second quarter of 2024.

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

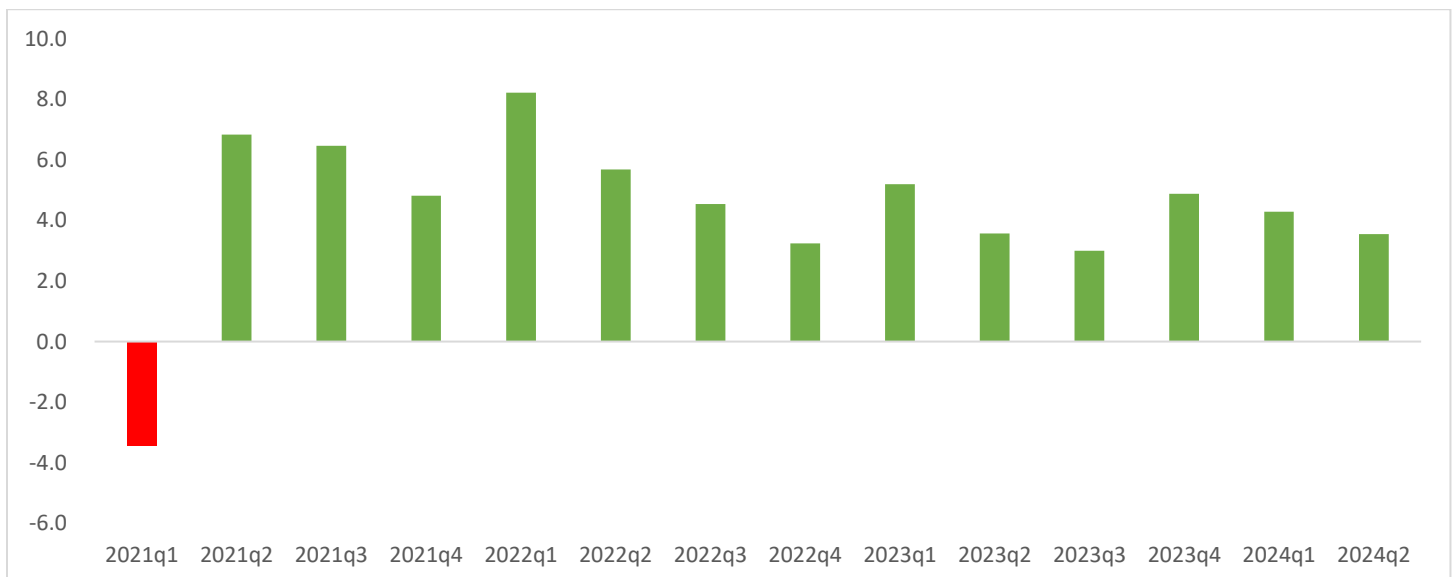
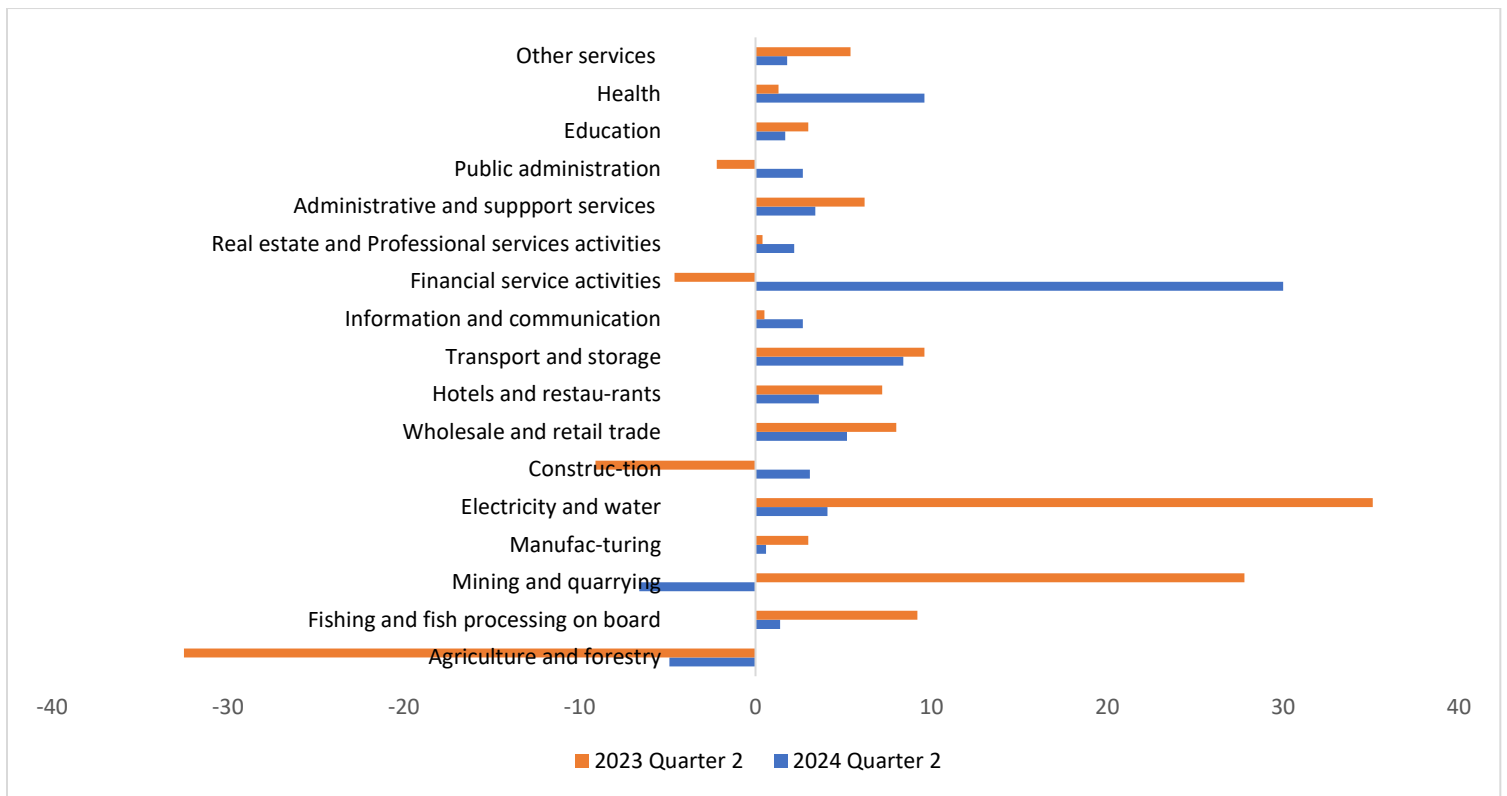


Figure 2: Namibia GDP by activity % change Quarter 2 2024 vs Quarter 2 2023



Source: NSA & HEI RESEARCH

Outlook

The global monetary policy cutting cycle appears to be gaining momentum in response to slowing inflation, which is expected to stimulate economic activity. However, Namibia's economy faces challenges, particularly in the uranium and diamond mining sectors, where lower demand is anticipated. In contrast, the gold mining sector is projected to remain strong as global gold prices continue to soar, providing a bright spot in the overall economic landscape.

Economic Growth Projections for Namibia

For the third quarter of 2024, We anticipate a continuous growth for the economy for the 3rd quarter of 2024, albeit not as high as 2023. This low growth reflects subdued global demand and ongoing drought conditions that have impacted agricultural and mining output. Despite these challenges, there are several factors that suggest a resilient economic outlook:

- **Strong Gold Market:** The gold mining sector is expected to thrive as global gold prices reach record highs, with prices recently peaking at around **\$2,531 per ounce**. This surge is driven by robust investment demand and significant purchases by central banks in emerging markets. The positive performance of gold mining will likely bolster Namibia's export revenues and contribute to GDP growth.
- **Resilience in Secondary Industries:** We expect the secondary industries in Namibia to expand by in 2024, significantly higher than the modest growth recorded in 2023. This growth will be supported by improvements in electricity and water supply, as well as recoveries in manufacturing and construction sectors.
- **Strategic Government Initiatives:** The Namibian government has increased its construction budget and initiated several key infrastructure projects, including green hydrogen pilot projects and wastewater treatment facilities. These initiatives are anticipated to stimulate construction activity and create jobs, contributing positively to the economy.
- **Positive Trends in Tourism:** As global travel demand rebounds, Namibia's tourism sector is expected to benefit from increased visitor confidence and rising occupancy rates. This recovery will further support economic growth through enhanced service sector performance.

Challenges Ahead

While the outlook for Namibia's economy remains cautiously optimistic, several challenges must be addressed:

- **Mining Sector Contraction:** The uranium and diamond mining sectors are expected to experience lower demand due to weak global market conditions. Producers may reduce supply to stabilize prices, but this could lead to short-term contractions in these industries.
- **Drought Conditions:** Ongoing drought conditions are likely to continue impacting agricultural productivity and water supply, which may exacerbate economic performance across multiple sectors in the medium term.